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## LABOR'S CRISIS



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# LABOR'S CRISIS

AN EMPLOYER'S VIEW  
OF LABOR PROBLEMS

BY

SIGMUND MENDELSON

New York

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1920

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## INTRODUCTION

This book makes no pretensions to a scientific study of the institution of labor nor of the causes and effects of the present labor unrest. The views and observations presented herein may, however, have some value, even to the student of labor, because they are based upon the practical experience of an employer who has to deal not with the theories, but with the facts which determine the relationship of capital and labor. The political economist is still under the influence of the labor conditions of the nineteenth century, and he is slow to recognize the rapid transformation of the labor problem in more recent years. A labor problem still exists, and in more acute form than ever, but it concerns the welfare of society more than of labor. It is no longer based upon excess of labor but upon insufficiency of labor; it no longer relates to an inadequate wage but to an inflated wage; it no longer deals with an oppressed suffering class but with an all powerful and militant element which is striving for economic dominance. The existing labor problem, unlike the labor problems of the nineteenth century, does not involve vital moral principles, nor does it deal with any

specific evil from which labor is suffering at the present time. It does not stir public consciousness, as did, for instance, the question of slavery, child labor, or the inhuman working and living conditions of the laborer. It is nevertheless recognized as the outstanding problem of the day, affecting and menacing the welfare of society wherever the employment of labor is an economic and social necessity. It cannot be solved by prescribed formulas or principles, whether they relate to Profit-sharing, Industrial Democracy, or any other scheme for conciliating labor. In many instances, the problem is intensified by the employer himself, for the handling of labor, whether in small or in large groups, demands special mental and temperamental qualifications, and particularly when labor is animated by deep-rooted discontent and unrest.

The phases of the labor problem are in constant state of change, and the theories and doctrines of yesterday become discredited to-day. The relationship of capital and labor is largely under the influence of fluctuating economic conditions, and a dictatorship of capital may be transformed into a dictatorship of labor. New principles and policies are being advocated to insure stability and harmony in this relationship which seem plausible when demonstrated on the rostrum or in print, but fail in practical operation. The causes and effect of the widespread labor unrest, as well as the proposed remedies, demand study of the

labor questions at close range and under all moods and conditions. It is only in close touch with labor, that the student will observe the deep interest of capital in all matters relating to the welfare of the laborer. It is true that selfish business motives are in most instances blended with this benevolent spirit toward labor, and that in most instances it is an essential policy imposed by pressure of competition and by the urgent demand for labor. But the fact must nevertheless be recognized that capital can no longer completely separate its own interest from that of labor, for its most valuable asset is the good-will of labor, and the conservation of labor is its deep concern. It offers to the laborer better living and working conditions; and in many instances maintains for his benefit extensive welfare work, which insures him against the contingencies of life and also provides him and his family with educational and recreational facilities. Moreover, the wage is no longer based upon the economic principle of providing the laborer with the means for a bare existence or, according to the more advanced human principle, of providing him with the means to maintain his physical efficiency. The wage is now adequate to insure with ordinary care, a better and more stable existence to the laborer and his family than can be obtained by many who are practicing a profession or are engaged in occupations not associated with manual labor. Hence neither the wage

nor the living and working conditions can any longer be considered important factors in the labor problem.

With the exclusion of the main causes heretofore underlying the labor problem, it becomes all the more difficult to reduce the present labor problem to a concrete proposition. We know of its existence by the manifestation of general labor unrest, which has become the accepted term for the new labor problem. "Unrest" is however a vague and an elastic term for a social ill, and in the absence of tangible symptoms the remedial measures are either experiments or expedients. Nevertheless the present labor unrest is a logical sequel of the conditions under which labor existed until very recently. It should be borne in mind that for generations the laborer remained helpless in his degradation and subjection. The industrial development of the nineteenth century of which (aside from the introduction of mechanical power) he was the main factor and to which he, his wife, and his children contributed eleven to fourteen hours of daily toil, only helped to intensify his misery and lower his level in society. His inseparable companion has been poverty, and his training and his characteristics were acquired in the school of poverty. All these aspects, and many more, have to be considered in order to gain an intelligent conception of the causes of labor unrest and of the elements which constitute the present labor problem. They will also help to explain the present ag-

gressive attitude of labor toward capital, for the victim of oppression takes naturally to the rôle of an oppressor when the tables are turned.

The psychology of labor strongly influences the relation of capital and labor, as well as the performance of labor. The heritage of the laborer is mistrust and prejudice against capital, and these traits can only be transformed into goodwill and confidence when the laborer is made to realize that his own welfare is served and promoted in his employment.

The instinct to move onward and rise to a higher level is strongly developed in the human being and it forms the force which impels and stimulates human effort and activity. This instinct manifests itself already in the child when it reaches the age of reasoning. It continues to actuate the life of the individual in all of his endeavors until old age no longer lends force and ambition, aim and desires, and unrest gives way to a longing for rest and peace. The laborer is not excluded from the operation of this law, but in his case the effort to rise to a higher level and improve his existence is stamped *labor unrest*, whereas in others it is considered a natural state of mind and a laudable ambition.



# CONTENTS

	PAGE
INTRODUCTION . . . . .	v
POVERTY, ITS NATURE AND EFFECT . . . . .	1
POVERTY AS RELATED TO LABOR . . . . .	11
CHARACTERISTICS OF CAPITAL AND LABOR . . . . .	15
LABOR NOT A COMMODITY . . . . .	19
COMPARATIVE VALUE OF PHYSICAL AND MENTAL EXER- TION . . . . .	23
DEPLETION AND DETERIORATION OF LABOR . . . . .	29
LABOR-SAVING INVENTIONS AND LABOR SUPPLY . . . . .	39
THE MALTHUSIAN THEORY AS APPLIED TO LABOR . . . . .	42
MAXIMUM EFFORT THE FOUNDATION OF SOCIETY . . . . .	49
ECONOMIC EFFECT OF CURTAILED LABOR . . . . .	53
CAN REDUCED HOURS ADVANCE THE WELFARE OF LABOR AND OF SOCIETY? . . . . .	64
COST OF LIVING SUBJECT TO PSYCHOLOGICAL INFLUENCES	71
INFLATED COST OF LIVING DUE TO CONTRACTION OF LABOR	75
LABOR WELFARE AS RELATED TO MATERIAL AND SOCIAL WELFARE . . . . .	78
CAUSES OF THE PRESENT LABOR FERMENT . . . . .	83
PROFIT SHARING AS A BASIS OF INSURANCE AND PENSIONS	98
LABOR UNREST AS A CHECK UPON INDUSTRIAL CONCEN- TRATION . . . . .	107
MORAL ECONOMICS AS APPLIED TO LABOR . . . . .	114

	PAGE
HANDLING OF LABOR IN SMALL PLANTS . . . . .	125
LABOR AS IT AFFECTS THE WIFE AND THE HOME . . . .	141
OBJECTIONS TO A LEGISLATED MINIMUM WAGE . . . .	145
HOUSING OF THE LABORER . . . . .	151
INFLATION AND HIGH TAXES — THEIR EFFECT . . . .	163



# LABOR'S CRISIS

## AN EMPLOYER'S ANALYSIS OF LABOR PROBLEMS

### POVERTY, ITS NATURE AND EFFECT

POVERTY, unlike wealth, cannot be defined in mathematical terms nor can it be measured by an inventory of assets and liabilities. It cannot be associated with resources, except that poverty may be said to begin with the loss of material resources and to terminate with their acquisition. It can lay claim, however, to one very vital asset, namely, muscle. Muscle determines physical efficiency and the earning power of manual labor, and these two are inseparably linked, the lowering of the one resulting in a corresponding impairment of the other. Poverty being a relative term, referring to a state of living, does not lend itself to concrete definition and is open to various interpretations. To the popular mind it represents a low standard of living associated with an unrelenting struggle with want and privation, with care and suffering, and often also with vice and temptation. In sociology the term is applied to a state of struggle to obtain the necessities of life. Some authorities extend the line of poverty to a point where actual want does not prevail, but where the

worker is unable to obtain those necessities which will permit him to maintain physical efficiency.

That poverty is the direct result of modern economic life, and not a mere accompaniment, and that the inadequate earnings of the laborer are responsible for his low standard of existence, is widely accepted. Poverty is, however, a complex social problem, which cannot be satisfactorily explained by any single or special cause; and, although the connection between poverty and low earnings is indisputable, forces other than those produced by external conditions strongly operate in determining poverty and also the earning power of labor — for instance, mental and physical qualifications, character, and even temperament are some of the controlling factors in the struggle for existence.

Poverty is not a modern nor an exclusively economic problem, as some maintain, and, if we accept the theory of biological variations, it may be considered as old as organized society or as variations in the human species. Almsgiving and the protection of the poor, form cardinal obligations of every religion, and are strongly emphasized and urged in the New Testament as well as in the Old. Historic records prove that the poor received the care of the state under some of the Egyptian dynasties long before the time of Moses.<sup>1</sup>

<sup>1</sup> James H. Breasted, "Ancient Records of Egypt," vol. III, 1906, pp. 23 ff.; also "Development of Religion and Thought in Ancient Egypt" (same author), 1912, pp. 216-56.

No country is exempt from poverty, whether it is a democracy or an autocracy, whether it is an industrial or an agricultural nation. Poverty is as evident in highly civilized as in backward countries — perhaps more so. It was encouraged in the early stages of Christianity by the apostles, who attached a certain dignity and spiritual influence to it, in contrast with the materialism and evil of wealth. It became the symbol of purity and self-abnegation, by means of which salvation could be attained. This spirit still survives in many religious orders.

Whether poverty is more widespread in the United States than in Europe, is, in the absence of statistics, purely a matter of opinion, but the statement is justified that it is most apparent where wealth is obtrusive, as in large industrial and commercial centers. Poverty requires the contrasting background of wealth to convey to the eye and to the mind a vivid picture of its misery. Great as is the contrast between the two, they are nevertheless inseparable companions, and where wealth thrives, poverty also is firmly established. In primitive countries where one standard of existence is common to all, poverty, no matter how intense, is accepted as a perfectly natural state, to which the people are hardened and accustomed, never realizing that their condition can be improved. Civilized life imposes much harder conditions upon society and upon the individual than primitive life. Life's perplexities in-

crease under it, as also do social problems. Poverty is a fixed condition and is kept in a state of permanency by the force of suction which not all human beings can escape. Some manage to emerge from it, but others are drawn into it, and the flotsam and jetsam of human shipwrecks keep it constantly renewed. No other interpretation can be made of the Bible texts "the poor shall never cease out of the land" and "ye have the poor always with you." We could picture a state of society in which neither wealth nor poverty operated and in which a uniform standard of living prevailed, were the human species cast in the same mold without any physical or mental variations. But unfortunately, not all human beings are so endowed by nature as to be able to carry on unaided the struggle for existence, and the weaker will always have to rely upon and be sustained by the efforts and achievements of the stronger.

The instinct of coöperation, evidence of which may also be observed in the life of lower animals, is the only source of strength for the weak, and finds expression, so far as the human being is concerned, in the aid and protection extended by the state and by society to the poor and helpless. Coöperation constitutes the vital force not only of charity but of all human institutions, and without it organized society would cease to function. By its operation the small and weak units combine and form single and powerful

units. Sustaining and prolonging the life of the weak, coöperation must also tend to modify the law of the "survival of the fittest" and to retard its operation.

There are periods in the life of society when man becomes callous to the physical suffering of his fellow beings, or when the spiritual welfare of the individual becomes the principal concern of the state and of the church. But there are also periods when a high sense of justice is aroused in behalf of the poor and the oppressed, and the betterment of their condition becomes the absorbing aim of every agency of organized society. This spirit has been particularly manifest in recent years, and probably at no time since the Christian era have so many far-reaching reforms been enacted in the interest of the poor, particularly of laborers, as in the past five decades. The force of this movement is likely to be still further manifested in the next decade, not solely as a consequence of the World War, but because capital also is recognizing the economic value of social betterment and more particularly the fact that industrial efficiency and industrial stability can be maintained only by close and harmonious association with labor.

It is within the memory of many of us when children of tender years worked in factories ten to eleven hours a day with only thirty to forty minutes' intermission for lunch; when women worked under the same time schedule, day or night, as men and without

any restriction as to the character of occupation; when an accident to a worker in the performance of his vocational duty was treated as a legal question of contributory negligence, to the benefit of the lawyer and to the detriment of the victim, who in most instances became an object of charity. Moreover the standard of living has been raised, and the poor (excluding of course the pauper, who presents a distinct phase of poverty) are better housed, better nourished, and better clothed than they formerly were. What were once considered luxuries of the rich have now become the necessities of the poor. Meat at least once a day, and vegetables and fruit in season and out of season, are now among the essentials of their daily diet. In the housing of the poor some of the objectionable features of the old tenements in the large cities have been removed, and certain home comforts, such as bathrooms, hot-water supply, steam heat, and electric lights, are not beyond the reach of the better situated of the poor.

Social progress in this country, rapid as it may appear, has however not kept pace with that in some of the European countries, where under a scientific system of social insurance the worker is protected (with the aid of the state and the employer) against almost every contingency which makes for poverty. Temporary and permanent disability, sickness, old age, unemployment, the care of the orphan and the widow, come under this insurance system, which to a large extent

relieves the burden of public charity, as it also tends to lessen the intensity of poverty. It is only a question of time when a similar policy, which can no longer be considered a doubtful experiment, will be generally adopted in the United States.

The question naturally arises whether poverty has diminished as a consequence of the marked social progress. According to some authorities poverty is as extensive and intensive as it has ever been, and even more so according to others.<sup>1</sup> Some may consider this an anomaly in face of the evidence that in many respects the condition of the poor has been greatly improved. On closer analysis, however, it will be found that the higher living standard of the poor, while it has modified some of the phases or aspects of poverty, has not lessened perceptibly either its extent or its intensity.

Social progress, whether it relates to labor conditions or to living conditions, imposes a tax upon society, which is reflected either in an increased cost of living or in an increased cost of production. The increased cost of production can be shifted, as it usually is, to the consumer, but the higher standard of living can ultimately be met only by greater efforts and by increased earnings of the individual. A higher standard of living, whether it relates to the poor or to the

<sup>1</sup> John A. Hobson, "Problems of Poverty," third ed., 1896, p. 26.



so-called middle class, demands greater efforts to maintain than a low standard, and unless the earnings are correspondingly increased to support the additional requirements and the additional strain, the improved living conditions may in themselves intensify the struggle and become an important cause of poverty. Back of the wants and the desires must be the power to satisfy them; otherwise they breed discontent and unrest, and the existence of the poor is made all the more complex and burdensome. If the new wants are satisfied at the cost of other essentials, a condition is created in which one evil may be eliminated and another substituted, as is aptly illustrated by the housing problem of the poor in New York City.

The wretchedness of the housing of the poor in New York has been vividly depicted by pen and by brush; it has formed an inexhaustible topic for the pulpit and for the stage; it has received more than any other manifestation of poverty the serious attention and study of the leaders in social science, of our legislators, and of our philanthropists. As a result of this crystallized sentiment certain rational requirements have been placed upon the construction of new domiciles for the poorer class, to correct the many evils which characterized the old tenement house. The *Report for 1917 of the New York Tenement House Department* proved, however, that more than half of the entire population of Manhattan Island still dwells



in the old squalid tenements in which neither sunlight nor air current reaches the inner rooms, and which are devoid of every home comfort. Owing to the much higher rental of the so-called "new-law tenement house" the poor can avail themselves of it only by crowding the family into a smaller floor space, thus causing congestion, or by taking boarders, which again adds to the congestion, not to mention the moral risk which this makeshift involves. As a result the old tenements, undesirable as they are, still remain the dwelling places of the poor in New York.

The meager wage of the laborer demands the closest financial adjustment, and the least increase in his expenditures may result in distress. He faces the unalterable economic factor in every attempt he or society may make to improve his living conditions, and if the betterment entails an additional expense, he must either sacrifice other essentials, or all of his earnings are absorbed in the cost of living without any savings for mishaps. Not only those who are in poverty but those who are struggling against it are unconsciously being drawn into its very vortex in the attempt to maintain a standard of existence which is not adjusted to their earnings, and in which no provision has been made for the contingencies of life, like sickness and temporary unemployment. Any one contingency, unless it is relieved by accumulated savings,— and the chances of saving are lessened with the

increased requirement,— may quickly transform a state of comfort into a state of want.

The standard of living is progressive, affecting the wealthy as well as the poor, with this difference, that the new wants of the poor originate from absolute necessity, whereas those of the wealthy are mostly imposed by environment or are decreed by fashion and never by absolute necessity. Social progress has not narrowed the gulf which separates the destitute from the affluent. Poverty, using the term relatively, will lessen in proportion to the diminishing distance between it and wealth, and when the gap is closed, the ideal but unfortunately unattainable state of society will be reached in which wealth and poverty no longer exist.

## POVERTY AS RELATED TO LABOR

THE poverty problem is so largely a labor and wage question, that by popular usage the term "laboring class" has become synonymous with "poor class." Labor may be said to be the recruiting agency for poverty, and the ranks of the latter are filled with the lees and dregs of labor — the lazy, the shiftless, and the incompetent. The most primitive function in society, by means of which the individual is enabled to exist without any special training or intelligence, is unskilled labor. This forms the lowest and at the same time the largest stratum of labor, and it is this class which comes in closest touch with poverty and upon which the struggle for existence bears most heavily. It is also this class which is deeply concerned in the labor problem and transmitting it from generation to generation without bringing it nearer to a solution.

The wage is the return for the exertion of labor, and its value is determined by the purchasing power of the circulating medium and not, as is the popular delusion, by the amount received. The reciprocal relationship between the wage and the cost of living is very close, and the one cannot rise or decline very mate-

rially without a corresponding movement in the other, thus reestablishing the equilibrium between the two. The force of the movement is equally expended upon both, and the cause that may, for instance, be responsible for an inflated cost of living is also responsible for an inflated wage. The one is not the direct result of the other, as is popularly supposed, but both are equally affected by the same cause, whether the derangement of our economic system or monetary inflation or social progress. Under certain conditions the fluctuations may be greater in the one than in the other, but eventually the wage and the cost of living adjust themselves to each other, with the result that in the end the conditions of the wage earner remains virtually unchanged.

The minimum wage which can prevail in any country, whether it be the United States or China, is based upon the minimum requirements for sustaining bare life. Labor would eventually become extinct and society disorganized under "starvation wages," or wages which are inadequate to support life under normal conditions. Labor and poverty are often close companions, but labor and starvation are incompatible. The fundamental requirements for sustaining life are not influenced by economic conditions, but by climate, soil, and habit, and to some extent also by the facilities of communication with other countries.

The aliment of each country is entirely under the

influence of its geographical position. The food of the cold zone will not, as a rule, sustain the life of the inhabitant of the tropical zone, and vice versa. The nature and fertility of the soil determine the character of the food of each country. Thus the main food in Ireland is potatoes; in Italy, cereals; in Japan, rice; in Arabia, dates. Where vegetation is restricted, as in Norway and Sweden, fish is the main food. In countries favored by climate and soil as well as by extensive means of communication, as for instance the United States or England, the choice of food is wider and a diet of animal and vegetable food is general even among the poor. Quantity, quality, or character of the aliment of a people has, however, no bearing upon the living standard so long as the food is adequate to preserve the vitality of the individual. The living standard of the Arabian is not lowered because he subsists on dates, nor is the living standard of the workingman in the United States raised because of his more substantial and varied diet. At the lowest level of existence life is centered upon the material wants of the individual, but as the level rises the mental and spiritual forces which actuate a people, as well as an individual, determine the standard of life.

Both the wage and the requirements for physical existence may be lower in one place or country than in another and yet the standard of living may be equal if not higher. The white laborer in the South has no

lower standard than the laborer in the North, and yet not only is his wage lower, according to census reports, but owing to the milder climate his housing is cruder, his food less substantial, and his clothing of a lighter and cheaper texture. The workingman in a small town averages a smaller wage and has fewer requirements than the workingman in a large city, but his standard of living is not lower; on the contrary, by many it is considered to be higher. Evidently the wage and the standard of living do not always run parallel, and the conclusion is also warranted that the wage is not determined by the standard of living but by the cost of living, or in other words by the purchasing power of the wage. Aside from the cost of living, the main wage factors are supply and demand and skill and productiveness of labor. Tradition and custom largely influence the wage, and they are also responsible for wage variations in different localities and in closely allied trades and industries.

Another factor which enters into wage adjustments is bargaining between employer and employee, but this applies largely to the dealings of organized labor with organized capital, and where collective bargaining operates, the wage standard is subject to frequent fluctuations. This factor is, however, largely controlled by supply and demand, and the wage standard cannot be lowered where work seeks the laborer, nor can it be advanced where the laborer seeks work.

## CHARACTERISTICS OF CAPITAL AND LABOR

CAPITAL and labor, interdependent as they are, act as two distinct and divergent elements, without any point of close contact, without common aim or interest, and often also without mutual sympathy. They are nevertheless held together by the strongest ties, for labor is dependent upon capital as the agency which insures its existence. Capital, on the other hand, can exercise power and be of value only in conjunction with labor. The conservation of labor is as essential for the preservation of capital as is the preservation of capital for the conservation of labor. The basis of this relationship is the wage of labor and the profit of capital, two opposing interests which are the cause of the eternal conflict between capital and labor. This relationship is not regulated by any fixed law, tradition, or custom, but is mainly controlled by expediency, which the varying economic conditions may impose upon the one side or the other. It may also at times be strongly influenced by outside sentiment and agencies, or by causes which have only a remote bearing upon the individual relationship of employer and employee, as when a sympathetic strike is declared with-

out any special grievance against the employer. The intercourse between labor and capital is made all the more complex because labor, being personal and having individual responsibility, does not come into direct contact with capital, which is impersonal and invisible, delegating its powers to intermediaries of different ranks, generally with limited authority and divided responsibility. As a consequence labor is often actuated by distrust and suspicion and often also by resentment.

To the toiler the wage is not merely a material medium by which he is enabled to exist; it represents to him a mighty power which controls his destiny and determines whether he is to be spared the pains and hardship of poverty or be doomed to a life of deprivation and degradation. The wage is the source of his hope and his despair, and all the human passions and impulses are strongly aroused in him when this main factor of his life is in any way affected. The laborer is strongly human, and the faults and merits, the vices and virtues, and the likes and dislikes of human nature all come into full play in the intercourse between labor and capital. The laborer is above all temperamental and impressionable, therefore particularly subject and responsive to the influences of agitation concerning his welfare. He is as responsive to considerate treatment as he can be resentful and stirred over trivial grievances.



Capital and labor form one operating element, but with distinct functions, the one operating through the intellectual powers and the other through the physical powers. Neither could long remain dormant or suspend its functions without destroying or endangering the other's existence. Capital is restless and untiring; it can exist and grow only by venture and enterprise, which create the opportunities for the development and for the employment of labor in every part of the world. Labor is its instrumentality, by means of which capital controls and commands every economic activity and agency, including labor itself. Capital is actuated in its operations and its ventures by great imaginative power and far-reaching vision, and what may appear to the uninitiated as a hazardous undertaking of capital will, in many instances, prove to be the creation of clear reasoning coupled with remarkable foresight. It transforms the desert into a garden by constructing irrigation dams; it populates almost uninhabitable regions by building railroads over every barrier; it supplies and regulates existing wants by transporting the excess of one country to fill the needs of another. But its operations extend beyond this, for capital creates and imposes upon the people new wants and desires, and it makes things indispensable to-day which but yesterday were unknown and superfluous.

In contrast to the unlimited opportunities and activities of capital, labor is circumscribed in its operations,

and its functions are confined within the narrow scope of physical exertion, which is its only qualification and its only activity. No matter how great the effort and how valuable the service, the material result to the laborer is expressed in terms of wage and not in terms of wealth. It is only when the application of the intellect becomes a strong factor in the performance of his work that merit receives recognition and presents to him opportunities to emerge from the rank and from the limitations of the common laborer. The wage offers, however, one marked advantage to the laborer in its security and stability, for unlike capital and its income the wage is not controlled by the wheel of chance and it assumes no economic or speculative risk. It virtually constitutes a first lien on income, as well as on the principal of capital, and, no matter how great the vicissitudes and the losses of the latter, the wage is not materially affected except by widespread industrial depression. Physical strength forms the most dependable and serviceable power and can be immediately applied without resorting to any mechanical medium. It always commands a market value and is exchangeable for currency in every part of the world. Unlike capital, physical power cannot be destroyed, and it cannot materially lose its earning power except when old age or physical disability overtakes the laborer.

## LABOR NOT A COMMODITY

LABOR is often called a commodity, and until recently it was legally recognized as such by our courts, although the very weakness of labor lies in the fact that it possesses none of the characteristics and none of the advantages of a commodity. Unlike a commodity, it does not lend itself to scientific distribution or marketing. It cannot be manipulated by cornering nor by concealing its oversupply with a view to creating a fictitious scarcity or a fictitious price. Its surplus can be reduced only by curtailing the working time or by a slow process of absorption, unless it is diverted into foreign channels by emigration, so as to relieve congestion and restore stability of labor in the home market. Labor and commodity are analogous only in respect to the operation of the laws of supply and demand, but even in this aspect the analogy does not fit, for labor, above all, is a living force, exercising free will and power. Labor, except in slavery, has no owner and determines its own fate. The laws of supply and demand relating to labor are different in spirit, in application, and in interpretation from the laws relating to commodity; they are modified and humanized because they deal with a living force.

Moreover, the mere fact that employment and remuneration of labor are subject to those laws, does not warrant, even in a popular sense, the classification of manual labor as a commodity. All human activities which serve as a means for a livelihood, and are employed for a remuneration, except when distinguished by special merit and qualifications, come under the influence of the laws of supply and demand. This is equally true of the service rendered by the lawyer, physician, and engineer, as it is of the manual laborer.

Whether labor is characterized as a commodity or as a human machine, and both terms are in common use, the analogies are as inconsistent and illogical from a figurative point of view as they are degrading and vicious when taken literally. They are degrading because they violate the dignity and affront the spirit of labor. They tend to depreciate the accomplishment of labor by reducing it to the level of a mechanical force and inanimate matter. They are vicious because they serve to convey a distorted and unreal picture of labor, the most pronounced features of which are helplessness and servitude. In the hands of the social agitator such a picture serves as the most effective means of sowing the seeds of dissatisfaction, imbuing labor with an unshaken conviction that it is a tool and the slave of capital and a long-suffering victim to an unjust state of society. Labor is not elevated nor improved by exaggerating its condition; nor is the individual made

happier by intensifying discontent and creating a spirit of resentment and rebellion against all social order.

It may seriously be questioned whether labor in this generation may still be justly considered the stepchild of society, generally abused and neglected, and therefore demanding special consideration. On the contrary, labor as a producing power shows symptoms of becoming enervated and weakened from an excess of attention and pampering, not only by those who are championing its cause to further their own sordid ends, but also by those who, though deeply interested in its welfare, deal with its problems emotionally and not with calm thought and judgment. Labor welfare work is not always dictated by social justice, and it may even come in conflict with it and seriously harm society.

The elevation of labor to a point where it will command general recognition, materially and socially, can be permanently achieved only by a slow process of evolution and education, and not by the propaganda of political or professional agitators, nor by revolutionary forces which, while they may bring temporary and illusory advantages, eventually destroy their own creations. All social progress, including labor welfare, if it is to become permanently established, must have its source and its force not in mere popular sentiment and impulse but in the awakening of a deep-rooted consciousness of right and justice, and this is a moral movement of slow

growth. Neither the Magna Charta nor the Bill of Rights was a spontaneous creation. The people of the United States, the land of justice and freedom, required a long period of education to arouse them to a consciousness of the injustice, not to say the iniquity, of slavery. Vital labor reforms are slow achievements of a crystallized public sentiment and consciousness. If labor laws do not spring from a profound conviction of an existing social maladjustment, but serve merely as a political expedient, they lose their force, are disregarded, and eventually become obsolete.

## COMPARATIVE VALUE OF PHYSICAL AND MENTAL EXERTION

ANIMAL life can be sustained and preserved only by physical exertion, which in man is directed by the mental faculties. In the social and economic organization of the human family physical and mental exertion form two distinct elements resulting in manual labor and mental work. Which of the two contributes the larger share to the welfare of society and to the production of wealth? This subject has at all times been intensely discussed, and it has also served as the framework for the socialistic theories expounded by Karl Marx and his followers. Treated purely as a biological question, it cannot be answered logically, any more than can the question whether air is more essential to life than water. Reduced to economic terms, it lends itself by a brief analysis to reasonable deductions. The performance of manual labor manifests itself in tangible form, it can be visualized, valued, and measured; whereas the operation of the intellect can be conceived only through the agencies it actuates, and is judged by the resultant achievements. Manual labor, owing to the visual manifestation of the exertion, appeals to the imagination and excites popu-

lar sympathy. The mental worker may "earn his bread by the sweat of his brow," and his mental exertion may be as exhausting as the physical exertion of the manual laborer, yet it will not inspire a pathetic portrayal nor will it arouse sympathy. That physical exertion is essential to self-preservation is a fundamental law, but without the aid of the intellectual powers human existence would be precarious, if at all possible. It is the intellect which is endowed by nature with creative, controlling, and dominating powers, by virtue of which it exercises authority, subjects to its will all brute force, makes the forces of nature serve the needs of man, and establishes law and order in the human family. It is through the intellect that physical exertion is lessened and that productive power is vastly increased by invention and by applying scientific methods and principles. It creates opportunities for the performance of labor and for the interchange of the products of labor, and establishes trade and commerce in the remotest part of the world.

In the economic struggle for life, labor is controlled by the intellectual powers, and this natural subordination cannot be reversed any more than the operation of the mind can be subordinated to the action of the limb, except in a subconscious state. The mental powers which enter into the performance of manual labor operate within a narrow field, and the opportunities for their more extended application are limited; hence



they become mechanical in their operation. Nor can labor exercise both functions without impairing the one or the other, and particularly the mental, for the mind relaxes under physical exertion. To relieve mental strain, the brain worker tills the soil, chops wood, or indulges in strenuous exercise, by which the mind's activity is temporarily checked. The performance of manual and mental labor are two distinct functions which cannot be merged into one, nor can they be effectively exercised at the same time. In other words, the laborer is not qualified to assume the mental functions of managing, supervising, and planning, and at the same time to apply his physical exertion as a means for support. His existence depends upon manual exertion.

Labor is also handicapped in the economic struggle by competition with the mechanical powers, which closely encroach upon the domain of labor and often replace it. Wherever physical exertion is a factor, its economic value is subjected to a comparative test with the mechanical powers, and only by operating in conjunction with the latter can labor retain its value as a productive power. It follows that the contention of labor that is the paramount factor in the production of wealth, and is entitled to a large share of the profits arising therefrom, is not supported in the actual operation of the economic laws. Four factors enter into economic enterprise: capital, labor, intellect, and me-

chanical powers. The use of the latter is made possible by the application of the intellect which is an instrumentality of capital and not of labor. The part which mechanical powers play in the production of wealth, as compared with labor's part, has received little attention and is entirely ignored by labor. Nevertheless in competition with labor they far outrank the latter in productive power and in stability. In many instances, mechanical power can and does replace human intelligence and alertness, as for instance in the automatic signal system, which replaces the railroad flagman. Labor cannot consistently claim profits accruing from agencies other than its own, even though the agency be mechanical or impersonal, for they are instruments of capital and not of labor. To use a concrete illustration: A mining concern is enabled by means of new devices or improved methods of operation to dispense with the greater part of its labor force, and as a result the operating cost is largely decreased. Labor was not a factor in this improvement, which was detrimental to its interest by depriving many of employment, and yet, on the theory of the more radical reformers, labor is entitled to the benefits of the increased profit, even though the result is obtained by the decreased performance of labor. The same principle is involved in all industrial operations, and it would seem obvious that labor itself does not determine profit. Profit, unless speculative, is determined

by skill of management, under which the available resources and forces of an organization, including labor, are properly coördinated and are efficiently applied and controlled. However efficient labor and its control, it will not insure success to an organization if the management is deficient in other respects, for instance in sound judgment in buying or selling or in extending credits.

Whatever changes the institution of capital and labor may undergo, it will always be actuated by the one fundamental purpose of securing material benefit, which each of the two parties seeks to derive from their joint operation. The relationship of the two parties cannot be controlled by a system of labor democracy, which, while it may level and democratize economic opportunities, cannot permanently equalize the proper use of those opportunities nor the resulting achievements. A democracy is based on equal rights, but in economic life the rights and duties of employer and employee differ, and an equality cannot be established as long as supervision and authority are essential in the operation of labor and as long as the brain can achieve more than muscle.

Vital as manual labor is to the existence of the human race, it cannot, for its own preservation, abolish the economic relationship of employer and employee, nor can it permanently release itself from the control of capital and gain complete economic independence.

It cannot successfully nor logically contest the superiority of the intellect over muscle. Labor has to rely upon ethical principles and upon the forces of social justice to modify the condition under which it exists by reason of its lower rank and of its inequality. Labor can promote its permanent betterment only with the aid of public sentiment and by action of moral laws. Public consciousness has been instrumental in transforming the relationship of capital and labor into a human institution, in which the former hardships and disabilities of labor are no longer manifest, and in which the welfare and the conservation of labor are strong actuating factors.

## DEPLETION AND DETERIORATION OF LABOR

AN increasing scarcity and a lower productivity of labor had become manifest throughout the United States for some years prior to the outbreak of the World War, causing an uninterrupted rise in the wage, as well as in the cost of living, as can be clearly traced by statistical data. The United States Bureau of Labor Statistics, in *Bulletin 245* (published 1919), table 6, page 24, compares as follows under the union wage and the cost of food for a period of eight years from 1907 to 1914, computed on a basis of 100 per cent. for 1907.

TABLE I

	Rates of wages per hour	Full-time hours per week	Retail prices of food
1907	100	100	100
1908	101	100	103
1909	102	99	108
1910	105	99	113
1911	107	98	112
1912	109	98	119
1913	111	97	122
1914	114	97	125

Omitting the three war years, 1915, 1916, and 1917, which are included in the original,<sup>1</sup> the increase from

<sup>1</sup> In order to base the deductions upon normal pre-war condi-

1907 to 1914 aggregates fourteen per cent. in the union wage and twenty-five per cent. in the retail price of food. During the same period the working time of union labor averaged a reduction of three per cent. a week.

The following tabulation is based on the summaries of 1914, 1909, and 1904 relating to the manufacturing industries of the United States, and was published in 1917 by the Bureau of the Census in the *Abstract of the Census of Manufactures, 1914* (published in 1917), pages 17-18.

TABLE II

	1914	1909	1904
Average number of wage earners ....	7,036,337	6,615,046	5,468,383
Wages .....	\$ 4,078,332,433	\$ 3,427,037,884	\$ 2,610,444,953
Value of products..	\$24,246,434,724	\$20,672,057,870	\$14,793,902,563

According to these data the average annual wage in the above periods was respectively \$580, \$518, and \$477, and shows a total increase of twenty-two per cent. in the ten years prior to the war. Incidentally it may be pointed out here that in view of the fact that the cost of food constitutes, according to estimates, forty-three per cent. of the total expenditures in the budget of the wage earner's family, the higher wage could not have improved materially the economic conditions, statistics relating to the period of the war are purposely omitted in the tables presented here.

dition of the laborer, unless rent, clothes and other necessary expenditures did not increase in cost during the period of ten years prior to the war.

The *Abstract of the Census of Manufactures, 1914*, presents also in table 1, page 16, comparative statistical data of the wage, wage earners, and value of product for a period of fifteen years, figured on a percentage basis, and is given here in abbreviated form.

TABLE III

Percentage of Increase

	1909-1914	1904-1909	1889-1904
Average number of wage earners .....	6.4	21.0	16.0
Wages .....	19.0	31.3	30.0
Value of products.....	17.3	39.7	29.7

The diminished rate of increase in the three factors by which industrial growth is measured, namely, amount of wage, number of wage earners, and value of products, indicates clearly an industrial depression during the period 1909-1914. Statistics are not available to establish the volume of the product of all the manufacturing industries, but it may be safely assumed that the percentage of the decline in rate of increase during the period of 1909-1914 was greater in the volume than in value of the product, inasmuch as the increased cost of labor reflects itself in the value and not in the volume of the product.

Table 3 does not offer any evidence of labor de-

pletion, for although the rate of increase greatly diminished in the 1909-1914 periods, this condition may be justly attributed to the industrial reaction. But if the statistics of table 1 are analyzed in conjunction with the statistics of table 3, we are presented with the rather remarkable economic phenomenon of an increasing wage coupled with an increasing cost of living, in the face of an industrial depression, which unmistakably distinguished the two or three years preceding the outbreak of the war in 1914.<sup>1</sup>

True to the reciprocal power which the wage and the cost of living exert on each other, the rise of twenty-five per cent. in the cost of food automatically forced a compensative rise of twelve per cent. in the union wages and twenty-one per cent. in the average of labor in general. Neither can gain a decided or permanent ascendancy over the other without unbalancing the entire economic and social structure, for, if they were to operate independently, the impossible condition would be created under which the laborer would either reach the point of starvation or become a capitalist owing to the high purchasing value of the wage.

The statistical tabulations presented here do not, as already pointed out, offer concrete evidence of labor

<sup>1</sup> "By June, 1914, the industries of New York State were feeling keenly the effects of the general industrial depression which had been developing in the United States for over a year." Department of Labor, State of New York, *Special Bulletin* 85, p. 1.



depletion, but they do warrant certain deductions strongly supporting this theory. The uninterrupted advance in the price of food for a period of eight years prior to the war cannot be attributed to a succession of poor harvests, which was not the case; nor to currency depreciation or inflation, which did not manifest itself in an upward price movement of other commodities; but seems to have been due to an inadequate food supply. The increasing shortage of farm labor has been widely recognized for many years, and has been attributed to the rapid growth of industrial towns at the expense of rural districts. But in recent years the industrial towns, notwithstanding their constantly increasing population, have also given strong evidence of gradual depletion of the labor reservoirs, not only in the decreased supply, but also in the decreased productivity of labor. This phenomenon can be explained only in the light of modern labor reforms and labor regulations. The vast energies which have been withdrawn from every field of labor in consequence of child labor laws, of restricting female labor, of shorter working days, of the increased number of holidays, and, by no means the least, in consequence of the greatly relaxed discipline and control over labor, have greatly reduced the available supply of labor. This condition has been manifest not only in the industries where labor shortage, labor inefficiency, and low production have been the general complaint, not only on

the farms, where owing to labor shortage full advantage cannot be taken of the opportunities for producing more abundant food supplies to meet the normal demand, but is also manifest in the home. There the servant problem has become a serious domestic problem, affecting the family life in many respects, as for instance the abandonment of the typically American dwelling, with the privacy and exclusion it offers, for the multi-family apartment house as a permanent home for the family. The natural drift of labor is toward employment offering a maximum wage and attractive working conditions and working hours. Hence an acute labor shortage will first manifest itself and will also become more pronounced in occupations which do not offer those attractions, as farm and domestic labor.

The labor question presents also a psychological aspect which has a direct bearing on the supply and on the productivity of labor. The performance of labor for a livelihood is not a matter of choice, but is impelled by necessity, and the greater the pressure of need the harder the task of labor. The exertion of energy in all animal life, including that of the human being, is in response to want and necessity, and when life can be maintained with little expenditure of energy, as in particularly favored climates, ease and indolence, and not physical activity, are characteristic of the people. The love of rest and ease is an ani-

mal instinct, characteristic not only of the cattle in pasture and of the beast in the jungle but also strongly inherent in the human being. When the pressure of necessity is removed and the urgent wants are satisfied with diminished efforts, the driving power of labor also weakens as a consequence, unless it is supported by some strong incentive, such as thrift or ambition, or new desires and wants. But not all people, either wage earners or others, possess the thrift or ambition to provide for more than their immediate wants, and the incentive for work is likely to be weakened if a week's living is insured by the labor of five days. With the greater demand for labor and with the higher earnings and greater freedom of labor, the wage earner is under less constraint and under less necessity of working full time than heretofore, and any trivial occasion or attraction, whether it be a circus parade or the day and often days following a holiday, serves in many instances as an excuse for shirking work. The operation of many industries is temporarily impaired if not suspended on such occasions, and this evil is generally recognized as an important factor in curtailed production, as it is also a contributory cause of labor shortage. It is probably a conservative estimate that the number of absentees in all industrial plants averages approximately four per cent.<sup>1</sup> during the

<sup>1</sup> Official statistical data are not available to establish the average daily percentage of absent workers in all or in any of

entire year, which is equivalent to a loss of 280,000 industrial workers, or \$970,000,000 in value of products. Every hour of leisure diverted from labor either reduces the production correspondingly or demands additional man power to make good the time loss. The observance of a single holiday by the industrial workers in the United States is equivalent either to the loss of labor power of 25,000 individuals for an entire year or to a diminished production amounting to \$80,000,000.

Leaving out of consideration the abnormal labor shortage as a result of the war, the facts presented here warrant the conclusion that a gradual drainage of the labor reservoirs had been in process for many years prior to the war. Adjustment to peace conditions and the consequent economic reactions can have only a temporary effect upon the labor shortage, for with the increasing power of labor to reduce its working time and to restrict production the process of labor depletion will continue. It is likely to become more acute in view of the fact that prior to the World War the labor supply in the United States had been replenished

the industries. The percentage given here is an estimate based upon the pay rolls of several concerns and upon rough estimates made by others. The percentage of absentees varies in the different industries according to the type of labor employed, and is particularly high in December. In some of the industrial centers work is entirely suspended between Christmas and New Year.

by the constant inflow of immigration, which is likely to be greatly restricted, if not prohibited, by the foreign nations as a measure of self-preservation and with a view of conserving their own much depleted man power. The possibility must also be considered that newly created ideals and opportunities in the European countries may attract the natives who had emigrated to foreign lands, and that many of those who have landed on the soil of the United States as immigrants will depart as emigrants. Assuming, however, that immigrants will be attracted to the United States in large numbers, restrictive measures will no doubt be enacted to check it, in response to public sentiment and to the pressure of organized labor. The public attributes the spread of Radicalism in this country to the foreign population; while labor unions advocate the restriction of immigration as the only means of controlling the labor supply.

The labor shortage is not wholly confined within the United States, and it is spreading to every country where labor is beginning to assert itself and is demanding and receiving political, economic, and social recognition. Even in remote Oriental countries, as in Japan, for instance, it is compelling the consideration of radical labor reforms, with the probability of their early enactment into law. The European upheaval is not only changing the demarcation lines in the geographical map of the world; it is not only revolution-

izing the political institutions of the nations by basing them on democratic if not on what have hitherto been termed socialistic principles of government; but it is also creating a new social era, in which the order of society is being reversed, and those who were at the bottom are becoming the ruling power wherever democracy is having its first test and trial.

## LABOR-SAVING INVENTIONS AND LABOR SUPPLY

ACUTE labor shortage cannot be materially relieved by new inventions nor by the more extensive application of labor-saving machinery and devices, although it is the popular belief that they tend to reduce the demand for labor by supplanting it and by augmenting production. Labor-saving machinery by increasing production reduces the cost of the product and creates a larger demand and a wider market. The demand for the product is stimulated and its marketing facilitated not only by the larger volume but also by the greater speed of production. An article comes into common use and ceases to be a luxury when it meets the requirements of large production, low cost, and speedy delivery. The power loom and the spinning mule have not only increased the production and reduced the cost of textile fabrics but they have also caused a large increase in the demand for the fabric as well as for textile labor. The application of mechanical power and devices in the process of printing has, in proportion to the output, diminished the use of man power, but in the aggregate it has enlarged the demand for labor by largely increasing the use of

the product. It is true that labor-saving machinery does in many instances displace labor, but the surplus is fully absorbed in the industries which are created and expanded in consequence of the use of this machinery and the resultant lower cost of the product. Moreover, the manufacture of the machinery and devices themselves employs large forces of labor. Mechanical power in supplanting muscle makes vast demands upon the supply of labor by offering increased opportunities of employment in the workshops, in the mines, in transportation, and in many of the trades which it stimulates and creates. It tends to intensify the demand for labor and not to relieve it.

It is equally a popular fallacy that the inadequate supply of necessities, due to labor curtailment, can be replenished and a normal production restored by inventing and developing mechanical devices. Inventive geniuses and revolutionary mechanical inventions are rare, and it takes much time to perfect inventions and to secure their general adoption. Mechanical devices already in use reach perfection in the course of time, which does not suggest or admit further improvement. For instance the sewing machine of the present time does not differ materially from that in use fifty years ago. The power loom reached the limit of its productive capacity with the introduction of the Draper Magazine loom about twenty-five years ago. The principle of spinning yarn has not changed since the



invention of the spinning mule in the latter part of the eighteenth century, nor has its productive work been greatly improved in the past fifty years. Minor mechanical inventions and improvements are constantly being introduced, but none of them have been of sufficient importance to affect the labor market or to offset materially the declining productivity of labor.

The end of the nineteenth century marked a climax not only of material and economic development and of physical exertion of labor but also of mechanical invention. Social progress has vastly multiplied wants and demands until the agencies which serve it can no longer keep pace with its rapid strides.

## THE MALTHUSIAN THEORY AS APPLIED TO LABOR

THE depletion of labor supply appears a serious economic as well as social problem, because the decreased production does not result in a correspondingly decreased consumption. On the contrary it is increased, and the margin between the two is widened in the course of time. Increased consumption is caused not only by the geometrical increase of population and by the natural trend of society to increase its wants but also because labor under prosperity becomes a greater consumer and a smaller producer. Increasing consumption and decreasing production create a problem to which the Malthusian theory of increasing density of population and decreasing means of sustenance might be fittingly applied. However, since the time of Malthus, and long before his time, we have learned to apply to all problems relating to the existence and welfare of human beings the laws of compensation, the laws of adjustment, and the laws of necessity. To make a mental survey of the possible effect upon society of the exhaustion of labor power, we must take into account the following counteracting factors: (1) curtailment of nonessential

wants by a simpler mode of living; (2) economic use and distribution of labor power; (3) the enormous reserves of human energies, which can be awakened and applied to productive occupation only by stress of circumstances or by high ideals.

The simpler the life, the fewer the wants and the less the opportunities for the employment of hired labor. Nonessentials form the predominating and also the fluctuating wants in civilized society, increasing or decreasing in response to economic conditions. Opportunities for the employment of labor are created not so much by demands for necessities as by wants imposed by environment or acquired by habit and by example. The almost complete dependence of labor upon the production of nonessential commodities can be appreciated if we take as an example the manufacture of tobacco, which, according to the *Abstract of the Census of Manufactures, 1914* (pp. 31, 48, 222), gives employment to 178,872 wage earners in the United States alone, whereas only 124,052 wage earners are required in bakeries to supply the population of the United States with bread and bakery products, including crackers. What is generally classed as an essential may become a nonessential product by the purpose it serves. For instance, wearing apparel when manufactured not solely for the needs of life but in response to fashion or to individual fads, ceases to be an essential product. The same is true of corn,

rye, and barley when they are used for distilling and brewing, and of any other product which enters into the manufacture of a nonessential commodity or serves a nonessential purpose. It is obvious that if civilized society were forced to revert to simpler life and habits, the industries of the entire world would become paralyzed and the employment of hired labor would be reduced to a minimum. That the individual can dispense, without affecting his well-being, with things which add to his comfort, pleasure, and satisfaction, may be safely assumed, and it is only when he is deprived of the essentials for sustaining life that suffering and hardship result.

Continued labor shortage will also compel a more economical use and distribution of labor. It will do away with most of the domestic labor, which cannot be economically utilized in a small family group. The service of the cook or waitress has more economic labor value in a public eating place than in the employ of the family. The labor power of the family chauffeur is largely wasted by many hours of inactivity, but applied to productive service this power becomes a vital labor factor. Labor wastage caused by seasonal occupation in certain trades and industries which impose upon the worker long spells of idleness, is preventable by anticipating seasonal wants and providing uninterrupted employment. How much productive power is wasted by strikes must be left to the imagination, but

that compulsory arbitration of the issues between capital and labor is becoming a national necessity and that it would greatly relieve labor shortage, cannot be reasonably questioned.

When the depletion of the labor supply reaches an acute stage, new sources of labor energies will be created, which under normal conditions remain dormant or are applied to non-muscular occupations. The World War has demonstrated that most effective labor power can be created from the residue, and we might say, from the sediment of a population, after the departure of the physically strongest and fittest, upon whom the functions of labor devolve in times of peace. It has demonstrated that this untrained force can develop mighty powers, which can cope with the enormous requirements of war and at the same time supply the wants of the civilian population.

The war has also demonstrated the adaptability of the human being to every condition if moved by necessity, by a high reward, or by high ideals, for only under those conditions is the highest level reached in the powers of endurance and resistance, in the application of energy and human ingenuity, and in the practice of self-denial and self-reliance. These forces come into full action in every human crisis, and prove an aid and a safeguard in the struggle for existence, by overcoming or removing danger, or by adjusting the individual to the conditions which threaten his ex-

istence. The same forces will assert themselves when, according to the Malthusian theory, the soil and the product of the soil shall no longer be adequate to support the congested population of the earth, or when labor becomes so exhausted that its products prove inadequate to meet the normal requirements of society. In either case, the cause itself will provide the antidote and lead to the restoration of equilibrium between consumption and production long before the existence of society is seriously menaced. An acute labor shortage will lessen the demand for labor, as well as for its products; it will stimulate self-help and mutual help; it will encourage self-denial and it will cultivate simpler habits and simpler tastes by curtailing many of the nonessentials in life which are acquired for the sake of appearance or through the demands of fashion, habit, and example. Moreover, when labor offers greater earning opportunities with less effort and with fewer hours of work than other vocations, its ranks will be replenished from every walk of life. With the incentive of a high reward and under stress of individual necessity, the clerk, the teacher, the actor, and even the woman of fashion, apply their untrained hands quite effectively to labor, whether it be in the production of ammunition or the construction of ships or the tilling of the soil, as the war has conclusively demonstrated. That the pressure of consumption upon production will give rise to new labor-saving inventions

may be taken for granted, but the demand for man power will not be lessened thereby, for the general effect of labor-saving machinery on the supply of labor, as has been already explained, is twofold, it dislocates labor and it is also instrumental in providing it with new employment.

After making full allowance for all the counteracting forces which may mitigate the labor depletion, the effect upon society must nevertheless prove serious, for permanent labor contraction can be offset only by a corresponding curtailment in the wants of the people and by lowering the standard of living. A high standard of living cannot be long maintained when labor becomes impotent and inadequate to support it. The housing becomes inadequate and its physical upkeep neglected; as regards clothing, quality is lowered, choice is restricted, wear is prolonged. Comforts and conveniences are sacrificed and order and cleanliness are disregarded, in order to utilize the physical energies for more essential needs. *Æsthetic* taste becomes neglected, and the beautiful and ornamental give way to the simple and the crude. Under permanent and pronounced labor contraction, luxuries of yesterday will no longer become common wants of to-day, nor will the requirements of society be merely matters of individual choice and taste, but will be determined by the disposition and ability of labor to satisfy them. The pendulum swing of material and economic prog-

ress will be retarded and will adjust itself to the weakened powers which control its movement. Human progress has been made possible through physical exertion, and when this vital force is weakened, retrogression begins and does not stop its downward course until it reaches the plane corresponding with the curtailed performance of labor.



## MAXIMUM EFFORT THE FOUNDATION OF SOCIETY

SOCIETY rests on certain fundamental principles and demands above all else that each individual shall, for his own preservation as well as for the preservation of society, render the full measure of service for which he is mentally and physically qualified. All accomplishment and attainment are based on the full utilization and exertion of the powers with which the human being is endowed. Retrogression and decadence are the result of relaxed effort and, however abundant the resources of a country or however prolific its soil, stagnation and poverty will characterize the people and the country if the individual does not exert himself. With unstinted and unrestricted labor even the desert can be turned into a garden spot, and the people are happy and contented though they labor to the limit of physical endurance. "Labor if it were not necessary to the existence would be indispensable to the happiness of man." A primitive state of society may be maintained on a minimum application of physical and mental power, but the complex mechanism of a civilized state demands maximum exertion, physical as well as mental.

The tenets of every religious belief and the laws of every civilized land enjoin but one day of rest in a week's labor, and the one day of rest and the six days of labor are embodied and emphasized in the Ten Commandments. Although the weekly time division of labor and of rest has been authoritatively established from time immemorial, the daily hours of labor have never in the past been restricted or regulated by canon or by law; they have been controlled and determined by the sun, by the needs of the people, by custom, and by geographical and climatic conditions. Fewer hours of daily labor and less physical exertion are required to maintain life in the tropical zones and in fertile regions than in the temperate zones and in barren regions. Daylight still determines and limits the time of agricultural and pastoral labor, but with the introduction of improved artificial light and the establishment of factory labor in the latter part of the eighteenth century, the restriction which nature imposed upon indoor labor was removed, and the daily number of hours of labor became largely an economic question which entered into the cost of production. The greater the number of hours of labor and the more hours a manufacturing plant is operated, the lower the cost of production; and keen competition set up its own labor laws, in which the humane aspect received little consideration. Labor welfare, labor conservation, labor efficiency, and the many social and

economic theories which are now being advanced effectively in favor of labor curtailment, did not then carry the force to create a strong public sentiment for improving labor conditions. The task which was imposed upon the laborer was determined by the limit of human endurance and was made all the harder because of the inhuman living and working conditions.

The regular daily working time in the nineteenth century was eleven to fourteen hours in most of the industries, and this time schedule applied to man, woman, and to the working child as well. Nor was the strain of labor lessened with the introduction of mechanical power and with the operation of labor-saving machinery. The running of a sewing machine is no less a strain on the operator than is the application of the needle by hand. Human energy is no longer the motive power of the loom, but the work of the weaver is nevertheless intensified, not only by operating a greater number of looms, and by the more complex construction and operation of the loom, but also by the physical environment under which he or she labors. Mechanical power and devices have increased productiveness of factory work and, while they lessen the demands upon human muscle, they make increased demands upon vigilance and alertness, and the nervous strain is all the greater in consequence. The monotony of labor resulting from the operating of power machinery and from specialization of labor

increases the task and the tedium of the long working-day. The laws of nature set certain restrictions upon the performance of labor, for when it is operated to the point of exhaustion it has reached the extreme limit of maximum labor, and it ceases to be a social advantage or an economic gain.

A balanced operation of labor, marked neither by excessive nor by inadequate daily work — both constitute social evils — can be determined by the resultant efficiency, which in turn is reflected in the production. Where increased efficiency, as the result of the shorter working-day, stimulates production and offsets the decreased operating time, labor curtailment proves a benefit to all concerned, including the state. On the other hand, labor curtailment becomes a pronounced evil to society, even though it may prove a benefit to labor, when production is seriously affected and increased efficiency is no longer a material factor in stimulating the production to offset the time loss. When that condition arises, and the demand for the necessities of life exceeds the supply, the entire social and economic organization becomes strained and distorted, and a lowering in the standard of living is one of the inevitable consequences.

## ECONOMIC EFFECT OF CURTAILED LABOR

WHILE the working-day of eleven to fourteen hours seriously affected the well-being of the laborer, it did not promote the interest of the manufacturer, as is the prevailing theory. The vast industrial development of the nineteenth century increased the struggle of the producer for his economic existence, for the greater the production and the productive facilities, the keener the competition and the lower the profit. Whereas the long working-day creates an abundance of labor and its products, the short working-day contracts both, with the result that competition is lessened, profits are raised, and the consumer is taxed for both the increased leisure of the laborer and the increased profits of the producer.

The labor reforms which distinguished the latter part of the nineteenth century further curtailed the long working-day and resulted in establishing in some industries a nine-hour and in others a ten-hour working-day. Under the persistent pressure of organized labor, the eight-hour working-day has, however, made rapid progress in recent years and, besides being recognized in all Federal, State, and Municipal departments, it is being forced upon all industries by means of

strikes or threats of strikes. The movement has the active support of some of the leading statesmen and social reformers, on the theory that a standard eight-hour working-day is essential in the interest of health, life, and contentment of the laborer. Moreover it is contended that a shorter working-day will not only benefit the laborer physically, mentally, and morally, but that it will promote higher efficiency, and that more intensive work will compensate reduced working time.

Labor scarcity invests labor with greater power and the demands of labor multiply with the weakened resistance on the part of the employer, who is reimbursed for the additional cost by raising the selling price of the product. Not that all the demands are unjust, but many spring from the prevailing widespread labor unrest, which breeds unreasonable demands. What is popularly termed "labor unrest" is translating into action labor's awakened consciousness of power and importance, and is likely to result in revolutionizing the entire social fabric and placing it upon new political and economic principles.

The labor reforms of the past four decades have caused an enormous contraction of the productive powers and of the supply of labor. The economic results due to the displacement of child labor, restriction upon woman labor, and curtailment of hours of daily labor reflect themselves in higher wages, labor scarcity, decreased production, and enhanced cost of produc-

tion. The effect of the child labor laws must in the absence of complete statistical data be left to conjecture. That it greatly increased and strained the demand for adult labor may be reasonably deduced from the fact that, according to the *Abstract of the Census of Manufactures, 1914* (published in 1917), only 121,773 children under the age of sixteen were employed in all the manufacturing industries of the United States, whereas until the latter part of the nineteenth century the employment of children was common in all industries.

The agitation for a forty-four-hour week, and even for one of thirty hours, is rapidly gaining ground in the United States and in England, and not inconsistently, for the same reasons which are advanced for an eight-hour day can with equal force be applied to a still shorter working-day or working week. The far-reaching economic as well as social effect of a standard eight-hour work-day and Saturday half holiday can be visualized if the fact is taken into consideration that two hours less of daily labor are equivalent to the loss of more than 1,400,000 laborers in the manufacturing industries, which represent only the smaller part of the labor force of the United States. If to the 7,036,337 wage earners in the manufacturing industries in 1914 (see Table 2, page 30) are added the 13,624,027 engaged in 1910<sup>1</sup> in agriculture,

<sup>1</sup> United States Census Report of 1910, vol. iv, p. 40.

forestry, animal husbandry, and extraction of minerals, or a total of 20,660,364 wage earners, the difference between an eight- and a ten-hour working-day is equivalent to a loss of 4,132,073 workers; while if a standard forty-hour week should prevail, as is being advocated in some industries, the loss as compared with a six-hour week would equal 6,886,788. Converted into money value, the reduction of the daily hours of labor from ten to eight is equivalent to a shrinkage in the products of the manufacturing industries of the United States approximating \$4,800,000,000 annually, or twenty per cent. of the total value of the manufactured products in 1914, which amounted to \$24,246,434,724 (see Table 2, page 30).

The shorter workday, according to the theory of its supporters, results in increased labor productivity and counteracts the effects of curtailed time. But this must be accepted with considerable reservation, for the further removed the worker is from the long workday which previously prevailed, the less is the gain in efficiency and productivity by further reduction of hours. The average laborer will demonstrate greater productivity in a ten- than in a twelve-hour workday, but the same proportionate results are not obtained in nine hours and still less in eight.<sup>1</sup> On the contrary,

<sup>1</sup> National Industrial Conference Board, *Research Report No. 12 (Hours of Work as Related to Output and Health of Workers—Wool Manufacturers)*, Boston, 1918, page 20, contains the



reduction of working time beyond a certain normal is likely to promote inefficiency, and this effect can be observed in any individual performing only a short day's work, whether physical or mental. The human machine, like the mechanical machine, produces the best results, not when operated below its normal but at its normal capacity. Moreover, efficiency is largely an individual characteristic; some relax or become ex-

following conclusions regarding the effect of the 54-hour week on the woolen industry:

"In the case of the 54-hour group a much broader basis of experience is available. This group includes 68 establishments and over 57,000 employees. Six establishments reported that output was increased; 7 others that it was maintained; 55 that it was decreased. The 13 establishments maintaining or increasing production, however, included less than 7% of the total number of workers in this group. The results indicate that the 54-hour week has unquestionably placed a burden on the industry from a production standpoint. The fact that so many establishments report a decrease in output, makes it reasonably clear that the 54-hour week does not give maximum output."

The effect of the shorter days on the metal manufacturing industries is shown in the following report issued by the National Industrial Conference Board and published in the press on June 30th, 1919: "It was possible for a considerable proportion of establishments to maintain production on a schedule of fifty hours a week, but that such schedule could not be universally adopted by these industries without some loss of production." Of the forty-eight-hour week the report said: "If both management and workers could actively coöperate, such a week might prove practicable in a larger number of establishments than is now the case. But unless such coöperation is secured there can be little question that the general adoption of a forty-eight hour-week in the metal trades would involve a serious economic loss to the nation."

hausted after a few hours of labor, others can maintain it under all normal working conditions. It is a matter of public record that in the operation of the war industries, including ship-building, increased production depended on increasing working time beyond the prescribed eight-hour day, and as a result, "overtime" with an inflated wage became an established feature and a national necessity. Practical experience in this instance has conclusively demonstrated that eight hours will not equal nine hours, much less ten hours of work, except in certain industries which impose great strain, and what could not be accomplished under the stimulus of the war spirit is even less likely to take place under normal conditions.

Labor efficiency is not generally manifest after a day of rest; on the contrary, in many of the manufacturing industries Monday or the day following a holiday is considered the poorest productive day in the week. The theory of increased working efficiency by reason of reduced daily hours of labor, receives support only in certain special industries and under certain conditions. Decreased efficiency becomes a material factor when physical endurance is weakened, and this condition is influenced not only by time but more by the nature of the work, by the working environment, and by the living conditions of the laborer. Mere fatigue, however, unless it reaches a state of exhaustion, does not seriously affect efficiency, for will

power and endurance stimulate the energies which may become temporarily relaxed by fatigue. Without will power and endurance, individual labor efficiency remains on a low level, notwithstanding the shorter workday. Some occupations involve, however, great physical and mental strain, and when an overstrained condition of mind or body is reached in the course of a day's work efficiency begins to lessen. The effect of the difference in the degree of strain and exertion to which individual workers are subjected is clearly illustrated by the personnel of a railroad train, the engineer and fireman of which will in the course of their day's work reach a point of physical exhaustion long before the conductor or brakeman feels the effect of his work. An eight-hour workday may be reasonable and necessary in the one case, but in the other seems entirely unwarranted from the standpoint of physical exhaustion. The needle worker in the crowded workshop, whether a machine or hand operator, will become exhausted and lose in efficiency with fewer hours of daily labor than an outdoor laborer, whether a farmer, bricklayer, or street-cleaner. A standard workday does not, however, differentiate between vocations which, in the interest of health and efficiency, may demand a short day's work, and those in which a longer day's work can be performed without apparent detriment to health and efficiency.

In most of the industries affected by an eight-hour

limit, increased efficiency is a negligible factor, and either an increased pay roll or a decreased production nearly proportionate to the decreased number of working hours has been the economic result. To offer a concrete example: After the enactment of the Female Labor Law in the State of New York, the textile mills operating looms with female weavers suffered a loss in production nearly proportionate to the curtailed operating time. In order to restore the production, male weavers had to replace female weavers wherever practicable, or the looms as well as the female weavers had to be increased in number in the ratio of the decreased operating time. In many industries speed and efficiency of the machine is the controlling factor of production, which cannot be increased by more intensive work by the operator. Moreover, intensive labor performed in a short workday, demanding maximum effort and exertion, may prove as detrimental to the health of the operator as relaxed labor in a long workday.

Irrespective of efficiency, which is determined by a number of factors, it is generally recognized that the workday of the manual laborer should be neither so long as to endanger his welfare nor so short as to endanger common welfare. As already pointed out, the exertion and strain of labor varies greatly according to the character of the occupation, and hence cannot be standardized, except as to specific occupations. A

standard workday arbitrarily applied to all labor irrespective of exertion and of sex, does not seem logical, nor does it entirely meet the humane aspect. If the daily hours of labor are to be influenced solely by humane principles, the workday should discriminate, for instance, between the coal miner and the plumber or house painter. The work of the former involves not only greater exertion than that of the latter, but also greater danger to health and life, not considering the fact that the work is performed under the surface of the earth and under unnatural surroundings. Instead of a basic workday for all labor, it would seem more just that the character of the work shall differentiate and determine the daily working hours, consistent with the welfare of the laborer and of society.

Where labor is abundant and the maximum utilization of the mechanical equipment as well as maximum production are the main factors of economic operation, a standard six-hour labor day, with full pay, may offer decided advantages over the eight-hour day to the employer as well as to the employee. It permits the employment of two shifts of labor, without resorting to night work; the one working from 7 A. M. to 1 P. M. and the other from 1 P. M. to 7 P. M. The application of individual human energy is lessened thereby by twenty-five per cent., whereas the operation of the mechanical power is increased fifty per cent. While the cost of labor per day for two shifts with full pay

is doubled, production under twelve hours' operation of the plant is increased fifty per cent. and overhead charges are decreased thirty-three and a third per cent. The higher cost of labor under a six-hour workday is offset: (a) by increasing the operation and use of the mechanical power; (b) by decreasing the percentage of overhead charges; (c) by the additional profit from the increased volume of business. In some occupations higher labor efficiency will be attained under a six-hour than under an eight-hour workday. Whether the plant is being operated eight or twelve hours a day, or whether its production is fifty per cent. below the normal, the principal overhead charges, as interest on the capital investment, taxes, power and clerical salaries remain virtually the same. Just as the cost of a commodity materially increases through curtailed production, so it decreases in the same ratio through increased production. A basic six-hour labor day cannot, however, prove an economic advantage unless an ample supply of labor permits the employment of two shifts and production is thereby increased fifty per cent. It may benefit an individual concern even where labor is scarce, by attracting it from industries in which a longer workday is operative. This advantage, however, ceases if a six-hour day is adopted by other industries in the same locality.

The present contraction in the world's production is due not only to relaxed human exertion but also to

relaxed mechanical power, which remains inactive and unproductive whenever and wherever human labor relaxes. Unlike human labor, mechanical power cannot attain higher efficiency as a result of curtailed operating time. On the contrary, mechanical power demonstrates its highest economic efficiency and value under maximum operation.

## CAN REDUCED HOURS ADVANCE THE WELFARE OF LABOR AND OF SOCIETY?

THE advocates of the short workday do not confine themselves to economic reasons for the support of this movement, but they also base it upon moral standards, or, to be more specific, they urge it in the interest of the moral and physical betterment of the laborer as well as to promote his contentment. Under this doctrine of a new sociology, which entirely reverses the fundamental principles of society, a shorter day's work, and not the maximum individual effort and service conducive to life and health, is demanded, not only in the interest of labor but also in the interest of society. Eight hours of daily work have been arbitrarily fixed as the limit beyond which it is contended the moral and physical betterment of the individual laborer is retarded, his efficiency impaired, and his contentment lessened. Contentment is, however, a matter of individual temperament, and a shorter labor day will not create nor develop this characteristic. Some are contented and happy under a ten-hour workday, provided their wage permits them to lead a decent existence, whereas others are discontented and rebellious, no matter how short the day's labor or how large the wage.



Evidently the promised contentment of labor as a result of the eight-hour day proved of very short duration, for a further reduction of working time to a forty-four-hour week basis is being pressed with all the powers which organized labor can command, and in some industries demands are being made for a thirty-hour week. It is needless to point out that the time difference will cause an additional tax upon society in the form of increased cost of living as a result of the reduced quantity and the higher cost of production.

Reduced hours of labor not only deplete the supply of labor but the supply of every commodity, with the result that the public, including the laborer himself, is burdened with an inflated cost of living. Curtailed production more than a higher wage is responsible for the high cost of commodities, for a plant which reduces its output below its normal equipment and capital facilities, either has to operate at a loss or to increase largely the rate of profit, the latter being further encouraged by the lessened competition. When the selling price of a product is based upon a low production, and in addition upon a higher wage, a higher cost of operation and maintenance, and a higher rate of profit, an inflated cost to the consumer becomes inevitable, and the public begins to feel the pinch of the high cost of living.

A most critical state of inflation is created when the

curtailed production is inadequate to meet the normal requirements of the people and when competitive buying operates in place of competitive selling, for then the inflated cost of living goes on unchecked and becomes a most serious economic and social problem, which becomes burdensome even to those who are instrumental in creating it.

Much stress is placed by the advocates of a short workday upon intensive labor, which it is claimed results from lessened hours and increases the productivity of labor. The power of intensive work is, however, an individual and temperamental characteristic, although under a strong stimulus or incentive the average human being is capable of intensifying his efforts, but with frequent relapses, which as a rule offset the gain and produce an average normal expenditure of energies for a given period. Steady work maintained at normal energy is more valuable, so far as service and productivity are concerned, than intensive work spasmodically performed under high pressure. Intensive work is neither an economic nor a social benefit, and if maintained for a long period may impair the health and shorten the life of the worker. As in the power engine, the economic value of labor is measured by the total efficient and sustained service in a term of years and not by the amount of energy temporarily applied under certain conditions.

The laborer is also supposed to require more leisure

to improve his home life and afford himself more opportunity for intellectual improvement. But the opposite could be maintained with equal force, for not increased leisure but steady occupation is a safe moral guardian. The average laborer does not differ in character and disposition from other human beings, and the increased leisure is as likely to tempt him to idleness or to frivolous and undesirable diversion as to be applied to self-improvement. Those who desire to elevate their family life and themselves will do so whether their day's work consists of eight, nine, or ten hours. Concrete evidence has never been presented to prove that the eight-hour laborer is morally, mentally, or physically of a higher type, nor that his family is on a higher level than that of the nine-hour laborer, provided the wage is the same. The store-keeper and the clerk, as well as many of those engaged in business and in the professions, work more than eight hours a day, but it cannot be said that they are on a lower plane morally, mentally, or physically, than those performing a shorter day's work.

The industrial development of the last century was responsible for many social evils, not the least of which was the twelve- to fourteen-hour workday, but it does not follow that the other extreme of reducing the hours of labor to a forty-four-hour week, or even to an eight-hour day, regardless of the exertion which the labor involves, will prove a blessing to society or a

permanent benefit to labor. When curtailed working time ceases to be a factor of increased efficiency, it is no longer a benefit but an injury to society.

Stripped of abstract theories and reduced to a practical problem, the following concrete results of curtailment of labor seem to be clearly established:

1. Increased scarcity of labor,
2. Decreased production,
3. Increased cost of labor and of production,
4. Higher cost of living.

Existing economic and labor conditions show that the greatly reduced working time has not developed higher labor efficiency nor produced greater labor contentment nor reduced labor unrest, but has produced the opposite effect. Decreased production must also lead to decreased consumption, for a wide gap cannot exist between them, and a decided contraction in the one will force the same upon the other. The factor which strongly influences both production and consumption, or what is termed supply and demand, is the cost of the product, and, barring temporary abnormal conditions, consumption and demand are stimulated by a low cost and are retarded by a high cost of the product.

The curtailment of the time of labor presents a logical and comprehensive policy in the interest of

labor and of far-reaching economic and social consequence to the general public. By reducing the day's work the supply and the wage of labor are more effectively controlled and the demand for labor is greatly stimulated. Labor congestion is lessened in times of depression and labor scarcity increased in times of recovery. It enhances the power and the influence of labor, for the greater the scarcity of labor the more effectively can labor command recognition and the more arbitrary and the more numerous becomes its demands.

Power exercised by those who formerly had to bow to it and were oppressed by it, is rarely distinguished by moderation or consideration. It usually degenerates into a rule of despotism, serving only the interest of a particular class, regardless of its evil consequences upon others. It is not necessary to refer to the French Revolution for an example, for the present-day condition in most of the European countries offer a vivid illustration of the state of society controlled politically and economically by the working class.

While the curtailment of working time increases the demand for labor and also increases the wage, the advantages, so far as the individual laborer is concerned, are nevertheless in many respects delusive, for the high cost of living weighs heavily on him also, notwithstanding his higher wage. Whatever the wage and the standard working time, the cost of living will

adjust itself to the same basis, for in the race between the wage and the cost of living neither can gain a permanent lead. It is only by performing additional work beyond the standard workday, or in other words by increased efforts, that the laborer can gain an economic advantage over the higher cost of living. Common welfare is not promoted nor can the economic condition of the individual laborer be permanently improved by reduced effort or by requiring two to accomplish the work of one. An artificially created economic condition which stimulates the demand for labor by curtailing and restricting individual effort violates the most vital social and economic principles, for the human family can progress to a higher level only by maximum and not by minimum exertion.

## COST OF LIVING SUBJECT TO PSYCHOLOGICAL INFLUENCES

PSYCHOLOGICAL influences play a very important part in determining not only supply and demand and the cost of living but also the action and policy of producer and consumer. Fear of competition and eagerness to expand and to establish new business are powerful factors in restraining excessive profits and violent price fluctuations. The average retail price of food, as shown in table 1, page 29, does not indicate an advance of over seven per cent. in any one of the eight years, and the total advance for the entire period was twenty-five per cent., or an average of a little over three per cent. Price fluctuations in manufactured products move within an even narrower range, and, according to "Dun's Index Number," published by Dun's Mercantile Agency, the total increase from 1905 to 1914 amounted to eleven per cent. in the price of clothing and only to a fraction of one per cent. in the price of metals. Price stability is under normal circumstances characteristic of most of the finished staple products, and, while the profit may vary, the price remains fixed. For instance, the

retail price of shoes, hats, collars, and shirts, is rarely disturbed, except under abnormal economic conditions. A complete economic revolution, however, takes place when demand exceeds supply and consumer and merchant become alarmed at the difficulty and uncertainty of securing the needed supplies. Whereas fear and uncertainty of finding a market for his product impose discretion and moderation upon the producer, the opposite effect is produced when the consumer, alarmed by the existing scarcity of goods, attempts to cover his wants and thereby still further aggravates the evil of a deranged economic condition. The more pressing his needs, the higher mount prices and profits and the greater also the temptation of hoarding and of anticipating future wants.

It should be borne in mind that the economic balance necessary to regulate supply and demand and to maintain economic normality, is not at the point where the two are equal but where the supply is adequate to meet the normal demands without friction and disturbance. In other words production must exceed and anticipate consumption and take into account the time required for the transportation and distribution of the product and the maintenance of the reserve supply, which must always be available to satisfy immediate needs. The supply of daily bread cannot wait for the milling and transporting of flour, nor can the



individual shivering from cold wait for the manufacture of winter clothes. The margin of safety lies in the reserve supply available for immediate consumption, and the closer consumption comes to production the more serious the consequence if a depleted supply of goods becomes manifest. The reserve supply acts as the balance wheel in the operation of supply and demand, and, when that becomes affected by inadequate production, the entire economic machinery is thrown out of gear.

The whole world, including countries not directly affected by the war, is suffering from a depleted reserve of the necessary commodities and from a high cost of living, solely as the result of a universally impaired and weakened productive power. The reserve supplies have been completely drained by the vast demands made upon them during the period of the war and by the diversion of the man power from productive to destructive occupation. They cannot be replenished nor can production be speeded up by the persistent policy of labor of enjoying more and more leisure and of resorting to widespread strikes to enforce this policy. Political and legislative action cannot remedy the evil which threatens to reduce society to a primitive state, nor can it create abundance where want exists owing to the impaired functions of labor.

Economic balance and normality will be restored

when labor awakens from its dream of a new Utopia and realizes that its own welfare is closely linked with the welfare of society and that it cannot escape the consequence of an economic policy based upon the principle of maximum return and minimum exertion.

## INFLATED COST OF LIVING DUE TO CONTRACTION OF LABOR

WHEREAS psychological influences act as a stimulus to the inflation of prices, the rising cost of living is primarily due to economic pressure, which gains in force as the disparity between supply and demand increases. Reduced production resulting from curtailed labor sets a number of factors in action, each of which adds to the cost of production and has a threefold effect on the cost of labor. It increases the operating cost of labor in proportion to the decreased production; it increases the cost of piece and hour work to equalize the reduced working opportunities; and it raises the wage standard as a result of the higher cost of living. A rising cost of commodities also compounds profits unless the rate of profit is proportionately reduced. An advance of one hundred per cent. in the selling price of an article requires a reduction of fifty per cent. in the rate of profit if the amount of the latter is not to be increased. But in the face of an inflated business expense and an inflated living cost, the increased earnings may be perfectly justified, just as labor is justified under the same conditions in demanding and receiving a largely

increased wage. Not that profiteering is not also one of the features and an inevitable factor of price inflation. The race for material gain is inherent in the human being, and greed and reckless speculation become particularly manifest under unbalanced social and economic conditions, when restraint is not exercised and the sense of proportion is lost.

A simple illustration will make clear the effect of curtailed labor upon the prices of commodities and the impulse it lends to the inflation of the cost of living. A manufacturing plant equipped and capitalized for a normal output of 100,000 yards, selling at one dollar a yard, and yielding a profit of ten thousand dollars, or ten per cent on the total sales of \$100,000, is by reason of twenty-five per cent. labor curtailment reduced to an output of 75,000 yards. If the same amount of profit is to be earned on the reduced output of 75,000 yards as on the normal output of 100,000 yards, namely \$10,000, the selling price of the fabric will have to be advanced to \$1.33⅓ a yard. It will be observed that without any additional profit to the producer the mere curtailed production of twenty-five per cent. compels an advance of thirty-three and one-third per cent. in the selling price of the product. But the reduced output also starts a number of other factors to inflate the cost and largely increase the selling price of the fabric. Overhead charges, materials, and supplies, which are likewise affected in price by the

shorter standard workday and above all by the largely increased wage which is the natural sequel of a higher cost of living, all contribute to swell the productive cost and create a generally inflated economic condition. The greatly increased cost also demands larger working capital and involves greater commercial risk.

The facts presented here show that the process of inflation follows a natural course according to economic laws, and the conclusion may be safely drawn that the curtailment of twenty-five per cent. in industrial labor productivity will automatically force an average advance of over sixty per cent. in the selling price of the products without any evidence or stigma of profiteering. An average advance of sixty per cent. in the cost of all manufactured products is equivalent to an annual tax on their consumption of \$14,547,-860,834, based on the value of the industrial products of \$24,246,434,724 for the year 1914, as given in table 2, page 30. Measured by wage value, an advance of three hundred fifty-seven per cent. in the total wage of \$4,078,332,433 as shown in table 2 would have the same effect on the cost of the product as a reduced production of only twenty-five per cent. These figures convey in visible form the effect and the cost of an economic policy of which curtailed labor is the outstanding principle.

## LABOR WELFARE AS RELATED TO MATERIAL AND SOCIAL WELFARE

BOTH material welfare and labor welfare are elements of social welfare, although under certain conditions they may affect the latter unfavorably. Material welfare, often associated with a higher civilization and a higher standard of living, has purely an economic and material basis and enters into social welfare only when it is instrumental in providing opportunities and facilities for a decent and healthy existence. Merely serving as a means for increasing comforts and conveniences beyond essential requirements and for spreading material indulgence and pleasures, material welfare forms the antithesis of social welfare, if not a germ of individual and national decline and decay.

Social welfare may reach a high level even though evidence of material welfare does not exist and life is maintained on a more primitive basis than is popularly associated with modern civilization. Accumulation of wealth may be difficult and rare, industrial, technical, and scientific development may be slow, modern comforts and conveniences may be absent, and yet a people may be far in advance in social welfare and

in social justice of those showing evidence of material progress and of modern civilization. Social welfare is determined and is actuated by moral forces and it cannot thrive where extreme poverty and great wealth are the contrasting features of a social order.

Labor welfare, although it enters as an important element into social welfare, may, like material welfare, affect it unfavorably. The protection of life and health and the promotion of the moral and intellectual qualities of the people, whether relating to labor or to any other unit of society, is the aim of the state, as it is also the fundamental principles of social welfare. Beyond that, labor welfare and social welfare may reach a point of decided divergence, and the interest of the former may be diametrically opposed and be detrimental to the principles of the latter. For instance, reduced hours of labor, in lessening exertion, and in increasing the opportunities for employment and for a higher wage, promote labor welfare. But in lessening the supplies and greatly enhancing the cost of the necessities of life they may become a distinct menace to the state as well as to social welfare. To show how delicately the scale of labor welfare and social welfare balance, we will take the case of an increased wage to transportation workers as a result of which the public has to submit either to an increased fare or to curtailed transportation facilities, or the road would be operated at a loss. The greater num-

ber may in this instance have to suffer for the benefit of a few, and the greater number may represent those to whom the increased fare or the decreased railroad facilities is of greater consequence than the increased wage is to labor.

Evidently the promotion of labor welfare has strongly marked limitations, so far as social welfare is concerned. The impression should not be gained, however, that in the struggle with capital for a just and equitable compensation social welfare is not being promoted. On the contrary social welfare demands that the opportunities for a decent existence shall be offered to all alike; that the weak shall be protected against the strong; that no class shall enjoy special privileges and promote its own welfare to the detriment of the common welfare.

Some of the principal labor reforms, as the child labor laws and female labor laws, were enacted mainly in the interest of society, incidentally also benefiting labor. The child labor laws were not originally favored by the individual laborer, who considered the child an economic asset and a necessary contributor to the support of the family.

In the broad sense, organized labor cannot be said to be interested in the welfare of the individual laborer, except as he may be affected by the wage or by hours of labor. Its interest in the laborer is confined



to the shop and to the factory and does not extend to the home and to the family. Organized labor is indifferent regarding many of the labor questions which enter into social and labor welfare, as, for instance, housing of the laborer or the moral and intellectual improvement of the laborer. This is explained by the contention of organized labor that an adequate wage is the solution of those problems and the cure for most of the social ills. To a large extent this contention is justified, but the fact must also be taken into consideration that dollars and cents alone do not determine the adequacy of the wage, and that it must be supported by thrift, foresight, and frugality, which as a rule are not characteristics of the laborer. The prevailing inflated wage has not materially improved the economic condition of the average laborer, and this is not due so much to the high cost of living, as is being claimed, but to improvident and shiftless habits. He is less exposed to involuntary idleness, but he indulges more in frequent spells of voluntary idleness, which the high wage encourages. In many instances the wage is being dissipated on trifles and useless things, whereas in the more essential factors of a higher standard of living, as for instance decent and sanitary housing, the conditions are unchanged and remain on a low level. The thrifty laborer is, of course, decidedly benefited by the high wage, but he

is the one who is least affected under adverse economic conditions, and he never enters into the poverty problem.

Labor forms only one of the units of society, not distinct from the others either in privileges and rights or in duties and obligations. When it attempts to set its own welfare above the welfare of the state it creates a condition which violates the principles of democracy and brings it into decided conflict with law and order.

## CAUSES OF THE PRESENT LABOR FERMENT

THE world-wide labor unrest which is agitating and convulsing society springs from different causes and is moved by a different spirit from industrial labor unrest. It cannot be arrested nor modified by a high wage, nor by a short working-day, nor by any of the ordinary methods and measures which under normal conditions regulate the relationship of labor and capital. It is moved by higher aspirations, demanding not merely a full share in the production of wealth but aiming in many lands at the complete reformation of existing political, social, and economic institutions. This widespread spirit of unrest, which has a distinctly psychological aspect, is not confined to the proletariat nor to any special type of labor nor to any particular industry. The skilled and the unskilled, the industrious and the lazy, the wellpaid and the underpaid, the protected and the abused, come under its magic sway, agitating and fermenting the forces of production wherever labor is a factor of society. With irresistible power it is removing political and social barriers which have endured for ages; it is disintegrating and destroying in many lands the foundations on which the state and society have been reared;

it is setting up its own laws and its own economic organizations. Like a torrential stream the momentum of the movement suffers no impediments and is creating its own channels and outlets.

The employment and treatment of labor were reduced to ethical principles and to concrete laws in Biblical times, but the labor problem still survives and is likely to endure for all time unless a new social structure can be reared in which the wage will no longer operate as a factor in the performance of labor. Whereas the labor problem may be considered immutable, the factors and elements which enter into it are constantly displaced by new ones, which are created by the social conditions of the period. Slavery, immigration, child labor, the inadequate wage, and the long working-day have all in turn given life to the labor problem in recent times.

Probably at no time, however, has the employment of labor presented a problem so complex and so difficult of solution as the present labor unrest. It is not based upon nor impelled by any specific evil from which labor is specially suffering at the present time, although it is marked by insatiable demands for higher wages and reduced working time. Its outstanding symptom is violent discontent with existing social conditions, particularly in relation to capital and to the unequal division of wealth.

The aim of the labor revolt, as it may be correctly

termed, varies in different countries according to the political, social, and economic condition of labor. In countries in which the political rights of the laborer have been curtailed, as in Russia and to a less extent in Germany, the economic aims are blurred in the multitude of political and social reforms. In democratic countries like the United States and England, labor unrest is based upon economic conditions and does not concern itself with the existing political and social institutions. One economic principle gives powerful impulse to the labor movement wherever it is taking root — a high wage, with greatly lessened if not minimum exertion.

Much as the aims and manifestations of labor unrest may differ in various countries, they spring from a common cause and a common grievance and represent the cumulative result of an unbalanced and unjust social and economic condition dating back several generations. The transition from home industry to factory labor and the rapid development of the latter in the nineteenth century caused a radical change in the life of the wage earner, affecting not only his family life and his working conditions but also imposing upon him new trials and hardships. From the rural districts and small towns — with the greater ease and comfort they offer and the attachment for home they develop — he was transplanted into congested industrial centers, where ideals do not thrive, individuality

and ambition are weakened, and the worker is reduced to an integral part of the mechanism which he is operating. The wage for twelve to fourteen hours of daily labor provided the worker with only the absolute essentials for bare physical existence, but this precarious condition often changed into a spell of utter destitution when any contingency arose affecting his earnings or increasing his expenses. Opportunities for self-improvement or for healthy diversion did not exist, the squalid home offered no attraction, and the liquor saloon was his only place of refuge, where he was a welcome patron, and where in the companionship of his fellow sufferers he would seek to obliterate his cares and sorrows. The following report submitted in 1885 is in no wise an overdrawn picture of the economic and social status of the average laborer of that period, and in many respects it would fit the conditions of a large part of the laboring class of to-day:

“Ninety per cent. of the actual producers of wealth have no home that they can call their own beyond the end of the week; have no bit of soil, or so much as a room, that belongs to them; have nothing of value of any kind, except as much old furniture as will go in a cart; have the precarious chance of weekly wages, which barely suffice to keep them in health; are housed for the most part in places that no man thinks fit for his horse; are separated by so narrow a margin

from destitution, that a month of bad trade, sickness, or unexpected loss, brings them face to face with hunger and pauperism. . . . This is the normal state of the average workman in town or country.”<sup>1</sup>

Pathetic as this portrayal is, it presents a decided improvement upon the deep misery and degradation of the working class in the early part of the nineteenth century, described by President Walker as follows: “The beginning of the present century found children under five and even three years of age, in England, working in factories and brick-yards; women working underground in mines, harnessed with mules to carts, drawing heavy loads; found the hours of labor whatever the avarice of the individual mill-owners might exact, were it thirteen, or fourteen or fifteen.”<sup>2</sup> . . . Children had not a moment free, save to snatch a hasty meal or sleep as best they could. From earliest youth they worked to a point of extreme exhaustion, without open air exercises, or any enjoyment whatever, but grew up, if they survived it all, weak, bloodless, miserable and in many cases deformed cripples, and victims of almost every disease.”<sup>3</sup>

These iniquities were common, not in the dark ages and not in a barbarous country but in the nineteenth century and in civilized England, the cradle of political

<sup>1</sup> Industrial Remuneration Committee, *Report*, 1885, p. 429, in paper on *Remedies for Social Distress*, by Frederic Harrison.

<sup>2</sup> Francis A. Walker, “Political Economy,” 1888, pp. 380-81.

<sup>3</sup> “Encyclopædia of Social Reform,” 1897, p. 234.

and social reform! Even the early labor reform measures do not reveal the awakening of a strong moral conscience; they disclose, so far as the treatment of labor is concerned, a deep-rooted moral torpor, which characterized at that period not only England but all civilized countries including the United States. In 1831 a law was enacted in England restricting factory labor of children between nine and sixteen years of age to twelve hours a day. It seems almost inconceivable in this more enlightened age that twelve hours of daily factory labor by children only nine years of age should have been considered a reform and was sanctioned by enactment of law, not to say approved by human conscience. Nevertheless this slight betterment symptomatizes an awakening of public consciousness to the sins committed against labor and against humanity, as it also marks the dawn of a new era, in which the spirit of labor is impressed upon every act and every endeavor of modern social organization. Labor has shaken off the yoke which it has carried from the times of the Pharaohs in Egypt, and with irresistible force it is revolutionizing the fundamental principles which have governed and sustained the human family from time immemorial.

While the present upheaval is the natural result of an economic maladjustment, which had reduced labor to the lowest level of existence, the awakened consciousness in labor of its great inherent powers for a dominat-



ing position in the social organization is primarily due to two causes, compulsory education and trade unionism. The one helped to spread enlightenment and awaken the dormant reasoning powers of the ignorant; the other gave power to collective action for labor betterment, as it has also increased the power of labor to secure a commanding position in society. In countries not touched by compulsory education, popular agitation served as the means of stirring the mind of the worker and caused widespread upheaval. The greasy and decaying rag is harmless in the closed closet, but spontaneous combustion will result when the door is opened and the rag is exposed to air. Labor as long as it was kept in darkness and in ignorance remained stagnant and impotent, but in touch with enlightenment it becomes a combustible and dynamic force, threatening to convulse society to its very foundations. Just as steam and electricity, without the application of scientific principles for their proper control, are forces of destruction, so does the awakened spirit of labor demand guiding principles based upon right and justice if it is to prove a power not for evil but for good.

Capital, sensitive as it is to every change, whether political, social, or economic, is quick to recognize the menace to itself and to society from this newly awakened spirit of labor. That capital is stirred into action is indicated by the many devices it is evolving to bring about closer contact and more intimate relation-

ship with labor. By means of limited profit sharing, rewards and bonuses, labor welfare work, by giving labor a voice in labor matters through "industrial democracy," and by numberless individual schemes, it is proposed to conciliate labor and remove or at least lessen labor unrest.

All these measures have, however, only a local or temporary effect, depending upon the type and the treatment of the laborer, and they do not help to satisfy the large majority of workers, who aspire to more substantial recognition than a benevolent protectorate. The conviction that the wage is an inadequate and inequitable return for his service is ever present in the mind of the laborer and perpetuates his discontent and his class prejudice. The stipulated wage offers him little opportunity for improving his economic condition, and only under the most favorable circumstances, or only by special merit, can he permanently detach himself from a standard of life in which care, hardship, and discomfort form the main features. In advancing years his service depreciates in market value and is in less demand when ripe experience forms in other walks of life the most valuable asset. If he were a machine, this loss would be covered by a depreciation reserve fund especially created for this purpose. But in a human machine the reduced earning capacity can, in the absence of other provisions, be met only by the adjustment of the worker to a lower standard of liv-

ing. Even in the prime of the laborer's life his tenure of employment is never secure, and owing to economic depressions, trade fluctuations, and seasonality of products, he is exposed to frequent spells of involuntary idleness, which seriously affect his sparse earnings, if they do not bring him into poverty or to the verge of poverty. The labor problem is all the more complex because labor and capital form economically as well as socially two opposite elements and are operated under economic principles which discourage co-operative action and thereby prevent their closer union.

The fundamental weakness in the relationship of capital and labor is due to the fact that only one of the parties is materially interested in the result of the joint efforts, and solidarity of aim and action cannot be developed under conditions which do not offer a mutual incentive for coöperation. All social institutions derive their binding and cohesive force from a common purpose and interest, and the more equitably the benefits are shared the stronger and the more enduring the union. Capital and labor will form a strong fellowship when they are united by a mutual interest in the achievement and in the result of their joint operations. Labor cannot, however, be instrumental in removing the existing inequality and cannot create an economic equilibrium in its relationship with capital. It exercises only certain restricted functions but no special privileges or advantages which it could relinquish or

share with capital. It possesses no other resources than the capacity for labor, and its only interest in the employment is an explicit wage. Capital alone has the power of readjusting the economic relationship on a basis of mutual interest, and it can accomplish this in a measure by relinquishing some of the advantages it enjoys and by instituting a system of labor compensation combining a reasonable wage with some other substantial benefits of vital interest to the laborer.

The more the benefits are shared with labor, the stronger the union of the two forces will be, and the less also will be the income from capital. The effect on industrial development of a greatly reduced income from capital is not to be minimized, for gain is the stimulus and the magnet which attracts capital to every enterprise and to all parts of the globe. Capital can only operate and in turn produce new capital through the incentive of gain. Without this vital force commercial and industrial enterprise would not be possible, opportunities for the employment of labor would not exist, and the economic organization of society would cease to function or be reduced to a primitive state.

Capital is, however, also characterized by discretion and conservatism, and is exceedingly sensitive to political, social, and economic disturbances. It is more timid in its operations than the individual, for it seeks safety at the slightest symptom of danger, whereas the

latter will risk health and life in pursuit of gain and even in the performance of labor for a meager wage. It is attracted more by permanent security and stability than by prospective large gains under threatening conditions. Taking all these facts into consideration, the conclusion seems justified that, though a closer bond between capital and labor will involve a shrinkage in the profit from capital, and as a consequence may also weaken the stimulus for industrial enterprise, this will to some extent be offset by offering capital greater stability and security, not to mention the higher operating and labor efficiency that must result from a harmonious relationship with labor.

Assuming, however, that capital will be vitally affected by a greatly reduced income, it will nevertheless find it necessary from force of circumstances and for its own preservation to adjust itself to the spirit of the times and to form a more intimate alliance with labor. No other agency can be created to combat successfully the revolutionary influences and force to which labor is exposed and to which it is peculiarly susceptible. Capital would not be far-sighted if it failed to recognize that it is deeply involved in the universal social revolt, that in fact it forms the storm center and the issue in the struggle of the masses to free themselves from its power and its control.

Modern democracy, as it is being interpreted by the masses and their leaders, not only aims at political and

social equality but aspires to economic supremacy and to the eventual control of the economic if not the political machinery of the world. Visionary as the underlying principles of the present social ferment may in many respects appear to the practical mind, the irresistible force of this movement is bound to create far-reaching social and economic changes, affecting particularly the operation of capital as well as its accumulation. Evidence of the powerful pressure of public sentiment upon capital is not wanting even in countries most favored by normal conditions, like the United States, where by means of every form of taxation capital is being forced to pay heavy tribute for its preservation, and the greater part of its earnings and its income is being deflected to the state. The same spirit which is reflected in the tax measures is also manifest in many other laws and the tendency is to curb and restrict capital and to tap its resources to the utmost for the benefit of the state. Capital may manage to thrive even under adverse conditions and under strained relations with labor, but it exists on the brink of an active volcano, and it is never free from the danger of violent disturbances. Popular prejudice against capital is not a modern manifestation; it is as old as the relationship of master and servant. It has, however, become greatly intensified in modern times by the rapid industrial development, by the vast accumulation of wealth, and by the increasing power

of capital. Under an autocratic form of government this prejudice cannot find outward expression, but with the spread of democracy, or rather of socialism, the manifestations against capital are given free rein and may assume dangerous proportions, as is witnessed in many European countries at the present time.

The relationship of capital and labor, while it concerns more directly the two parties, involves nevertheless a tripartite interest, the third party being the state, or in other words the public, which is distinctly and vitally interested. This relationship is subject to the regulations and in a measure also to the control of the state, which is invested with the power of imposing upon it restrictive and corrective laws in the interest of the commonwealth. The state is concerned in the welfare of labor only in so far as it rests upon the interest and the welfare of the public, as for instance when the low living and working standard of the laborer becomes an injury or a menace to society or when common welfare demands the prohibition of child labor or the restriction of woman labor.

On the same ground the state is concerned not only in the conflicts of capital and labor but also in their co-operation if the latter is promoted and maintained at the expense and to the detriment of the people. For instance, the coal operators, who under ordinary circumstances would contest an unreasonable advance in the wage, may grant the increase because the burden



can be shifted to the public by a corresponding advance in the selling price of coal. The mutual interest of capital and labor is promoted in this instance, but it nevertheless violates public policy and public interest. As the guardian of public welfare the state can exercise wide latitude in so regulating the relation of capital and labor that the acts of either, or their joint acts, may not become a source of danger to the commonwealth. In a well-balanced social order common welfare is the paramount aim of the state, and the interest of capital and labor is subordinated to it. Unrest is then merely a temperamental manifestation, or the expression of individual discontent, and not an evidence of social maladjustment.

Employment of labor, whatever its character, demands the functions of some agency for the exercise of supervision, control, and authority. Whether these functions are exercised by capital, or by the state according to socialistic theories, the management of labor will always demand the enforcement of order and discipline. Factory labor cannot be operated under a rule of unrestricted individual freedom, and whatever changes the institution of labor may undergo, it cannot completely free itself from control and supervision. Opposition to restraint is inherent in the human being and manifests itself already in the early stages of the child. In the case of the laborer it finds expression in discontent and unrest, particularly when



he is led to believe that the control over him is based upon unjust social conditions.

Labor unrest is a natural manifestation varying in intensity according to the cause or causes which produce it. It can never be eliminated by newly evolved economic principles nor by acts of the state nor by any other process, for a social order distinguished by absence of opposition, strife, and discontent is beyond the power of any human agency to establish. Moreover, unrest, whether it manifests itself in labor or in any part of our social organization or in the individual, is not an evil. On the contrary, it is the propelling force of all attainments and achievements, and the progress and development of the human race are marked and distinguished by stages of social unrest. Labor unrest is a symptom not of disease and decline but of life and virility. It is the expression of higher aspirations, and, threatening and disturbing as the movement may seem, labor unrest will eventually lead to a more perfect social order.

## PROFIT SHARING AS A BASIS OF INSURANCE AND PENSIONS

PROFIT sharing, operated in a spirit of mutual service and mutual benefit, virtually constitutes a partnership of muscle, brain, and capital for the purpose of sharing in the result of the joint operations. Its basic principle is coöperation, and, where cross purposes dominate, profit sharing as an instrument for a close relationship of capital and labor loses its force. To be of practical value, it must demonstrate its advantages to the laborer in tangible form. The mere apportionment of a small share of the profits will not effect a permanent or decided change in his attitude towards capital. It must include features which make him realize that the employment not only offers him a decent existence but also insures him a certain degree of security when, owing to old age or disability, he is no longer able to earn a wage, or whenever he is forced into temporary idleness. The average laborer cannot or does not make provision against the many contingencies to which he is exposed, and this is not always due to indifference or thriftlessness but often to the close margin within which he has to manage his income. Assure the laborer that the employment, aside

from the wage, offers him protection in infirmity and in old age, and he is more likely to become permanently attached to the service and to the organization. The question of pension is also of direct concern to capital, particularly at this time, when the strong drift towards state paternalism is likely to evolve, among other labor measures, a labor pension system, and capital will be burdened with the cost in any event.

The principle of profit sharing by itself, as a means of regulating the relation of capital and labor, can prove a success only where an incentive is offered in the substantial share of profit to each individual laborer, and this can be accomplished only in organizations favored by exceptionally large profits and a relatively small working force. Under normal operating conditions the scope of a profit sharing system will have to be greatly broadened, it will have to touch more intimately the life of the laborer, if it is to bring him closer to capital. A practical illustration will make it clear that profit sharing, generously as it may be administered, will under ordinary circumstances not materially improve the economic condition of the laborer nor change the relation of capital and labor. Take as an example an industrial concern with \$500,000 capital, employing 500 workers, and averaging an annual net profit of \$75,000. Assume that after deducting six per cent. interest on the actual cash investment, the balance of the surplus amounting to forty-five thousand

dollars is divided equally between capital and labor. Each of the five hundred laborers would then receive forty-five dollars, or fifteen cents a day in addition to his regular wage! But let us assume that the entire surplus of forty-five thousand dollars is allotted to labor and that each laborer receives as his share ninety dollars a year. Will that change the mental attitude of the laborer towards capital and bring about closer affiliation and coöperation? Any partnership or combination in which the one party assumes the entire risk of the business for a bare return of six per cent. on its investment and the other party receives, in addition to a wage or salary, a share of profit averaging \$90 per annum, would have no sound basis for existence. It should be borne in mind that fifteen per cent. profit on the capital invested is considered in most instances a satisfactory operating result, and that 500 laborers in a plant requiring \$500,000 cash capital form a conservative average.

Inasmuch as labor represents a multitude, a partnership between it and capital does not seem feasible and does not promise the laborer any economic advantage. Nor will a strictly profit sharing plan, with the exclusion of a stipulated wage, materially change the relationship of capital and labor, for as shown in the previous illustration, the laborer's share in the division of the profits represents a comparatively negligible figure.

The wage is inseparable from the employment of la-

bor, and whatever new principles may be evolved to regulate and improve the relation of capital and labor, the wage factor will remain the outstanding feature. Profit sharing as a supplement to the wage, can however be made a strong factor by giving it the form of a substantial benefit to the laborer, and by means of which he is made to realize the advantages of a close bond with capital. The urgent need of the laborer is protection against contingencies, and the profit sharing system can not only provide an insurance system for the laborer but also encourage and enforce thrift, in which the laborer is often lacking. To make the statement clear, we will again refer to the foregoing example, but in this instance the annual net profit of \$45,000, after deducting the six per cent interest on the investment, is appropriated to capital, labor, and labor contingency fund, in three equal parts of \$15,000 each. The disposition of the one-third share appropriated to capital does not here enter into consideration, and might preferably be applied to the various emergencies to which capital is exposed. The one-third appropriated to labor is, however, payable only every two years, with interest added to it, thus virtually constituting a compulsory thrift and saving scheme for periods of two years. The portion credited to labor contingencies forms the nucleus for the insurance fund, which does not become operative until the fund exceeds \$30,000. With an annual average income of

\$15,000, which is the one-third share of the profits, and the accumulated fund of \$30,000, the worker will receive reasonable protection in old age, in sickness, and in involuntary nonemployment.

This plan is not materially affected in its essential features whether it be applied to a concern with small or with a large capital, except that in the former case the return on the capital will show a proportionately higher rate of profit, which will prove an advantage to the plan. Personal service is an important factor in the smaller establishment, and those who are directly concerned in the management assume functions which in the large establishment are performed by high salaried officials and employees thus entailing a large overhead expense. Whereas an average annual profit of fifteen per cent. is considered a fair return on an invested capital of \$500,000, the same rate of profit would be considered inadequate on an invested capital of \$50,000 or, to quote an extreme example, on \$10,000. Assuming that twenty-five per cent. represents the average rate of profit of a concern capitalized at \$50,000, its annual profit, after deducting six per cent. on the capital invested, will amount to \$9,500, instead of \$4,500, the profit on a fifteen per cent. basis.

The successful application of the principles of the profit sharing system as outlined, must be tested not under favorable conditions but in times of economic reac-

tions, when unemployment and underemployment impose a heavy strain upon the laborer and upon the agencies which have been created in his interest. All organizations exposed to great risks provide in times of prosperity an ample reserve fund to cope with unfavorable conditions when they arise. The labor contingency fund, likewise, has to be guarded and nourished with a view of assisting the employee at a critical time, when his feeling of helplessness and despair is most manifest and the need of an organized relief agency is most urgent. Moreover the thrift provision, which forms a feature of this plan, will prove of great benefit to the employee in times of adversity, for he will have available for his support the accumulated profits of two years.

The assumption should not be conveyed that this roughly outlined profit sharing plan is adapted to every industry or that it can be applied to any industry without some modification in its operating features to suit each particular case. It has to take into consideration the type of labor, the nature of the employment, the character of the industry, and, above all, the financial resources and earning capacity of the plant. Profit sharing cannot be practically applied to employment which is intermittent or seasonal, as in some of the needle trades or in the canning industry. It does not lend itself to organizations in which woman labor predominates, because the service, as a rule, is neither con-



tinuous nor permanent. It cannot be applied to the operation of labor which terminates with the completion of a project, like the construction of a building.

The profit sharing plan presented here is particularly adapted to industries and mercantile institutions with an adequate working capital and yielding a fair average profit. The capital must be adequate to insure profitable operation of the industry and to safeguard it against reverses and times of financial distress. The profit must be attractive, for it forms the basis and the life of profit sharing, as it is also the main incentive for mutual coöperation. While the scope of the plan may be broadened or modified to adjust it to the requirements of the industry or to the character of the employment, it must be based on the fundamental principle of a fair and an open division of the profits, and in a manner which will safeguard not only the employee but also the organization. The result of this close coöperation will be made evident to the laborer through the benefits which the profit sharing plan offers him, and in the absence of which he and his family would be seriously affected.

Aside from the betterment which a profit sharing system of this character promises to effect in the economic condition of the laborer, it will also modify, if not eliminate, a deep-rooted and generally recognized cause of the antagonism and prejudice of labor towards capital. Exploitation of labor by capital is not a the-



ory confined exclusively to the followers of Karl Marx. In its broader sense, as applied to the relation of employer and employee, or master and servant, it has formed the fiery topic of the social reformers of all time. It is inbred in all those who toil for a living, and it is also the popular conception, as well as the scientific interpretation, of many of the evils arising from industrial and commercial development. It is claimed, and not unjustly, that in the production of wealth, labor is not receiving its due share, and the impetus of the widespread labor unrest gains its force from this conviction. By no other means than by an open and fair division of the profits of the joint efforts of capital and labor can this conviction be shaken, and can the theory of the exploitation of labor by capital lose its force and cease to inflame the passions of the masses.

The advantages of a comprehensive profit sharing system along the lines indicated here may be summarized as follows:

1. Labor and capital will be actuated by mutual interest and by close coöperation, which will result in higher labor efficiency and in decreased operating cost, in greater labor stability and in lessened labor restlessness.

2. In the popular mind capital will no longer be characterized by exploitation of labor or by injustice in withholding from labor its due share.

3. The worker will receive reasonable protection against many of the contingencies to which he is exposed, whether disability, old age, temporary unemployment, or underemployment.

4. Capital will to a large extent be compensated for its reduced income by the greater freedom from strikes and other labor disturbances and by the greater security of its investment and stability of its income.

## LABOR UNREST AS A CHECK UPON INDUSTRIAL CONCENTRATION

THE nineteenth century was characterized by a marked concentration of the productive powers and of industrial enterprise in large industrial towns. The drift of labor from the rural districts to the large towns became irresistible, and neither the inhuman working nor the wretched living conditions, which were the lot of the workingman in the congested centers, could check this movement. The cause cannot be attributed solely to the attractions which city life exerts on the young; nor can it be attributed solely to economic reasons and to the greater and more varied opportunities for employment which large industrial centers offer. The movement has largely a psychological basis and resulted from unrest and an irresistible craving for a change from the existing environments, regardless of the danger or suffering entailed. It was impelled by the same psychological forces which induced the farmer to abandon his comfortable homestead in the East, in the middle of the last century, and endure the trials and hardships of founding a new home in the wilds of the far West. It was not solely hunger and the lure of plunder which carried the Goths across the Alps or

the Normans to the Mediterranean shores. Nor were the masses of the Crusaders inspired purely by desire for adventure. All those historical movements were prompted by the pressure of unrest, which is inherent in the human being and forms the strongest dynamic force in shaping the destiny of nations as well as of the individual.

The present labor unrest presents the same phenomenon, but it does not manifest itself in migration; it takes the form of a revolt against the existing social order. Its symptom is a deep-rooted and unrestrainable discontent, which neither a higher standard of living nor a largely increased wage nor reduced hours of labor can appease. Whatever remedy or palliative is applied, it acts like a stream of water on a burning oilfield. It cannot be restrained, any more than can a volcanic eruption. The present unrest will take its own course and lead to a new social order, which, though it may not conform with all the visions of labor, will be based upon new social and economic principles, and the performance of labor will no longer involve occupying a lower and degraded rank in society. The dignity of labor will have a new meaning and a greater importance, and necessity will impose upon every individual, whatever the rank and occupation, a certain amount of self-help which now devolves upon hired labor.

The widespread unrest is likely to cause, among

other changes, a decided check on industrial development in the congested cities, which form the storm centers of labor agitation, as they are also the hotbeds for the propagation of the most destructive radical theories. Industrial concentration in the large cities was induced by a number of factors, the most important of which were a large supply of labor and convenient transportation for supplies and for the finished products. But, important as those factors are, they do not offset in times of chronic labor disturbance the disadvantages and risk of operating an industry exclusively in one locality, thus exposing the entire organization to the influence of labor agitation. To use a popular phrase, the concern is putting all of its eggs into one basket and is thereby risking the same danger as in the egg story.

The demoralizing and disintegrating effect of the prevailing labor conditions will force upon many an industrial concern the policy of dividing its one operating unit into several small units and locating them in different towns. This will not exempt the concern from strikes and other labor troubles, but it is not likely that all the units will be simultaneously affected by labor disturbance.

The small town offers many advantages, and particularly in the relation of capital and labor, which work in greater harmony than in large cities. The growth and development of the small industrial town

is closely linked with the prosperity of its industries, and the decline of the latter is invariably followed by the decline of the former. It uses every effort to attract and foster those industries, and in many instances the inhabitants become stockholders. Labor is more or less under the influence of this friendly public sentiment and good will, and loyalty toward the employer is its marked characteristic. It is for this reason that organized labor does not gain a strong foothold in small industrial towns and in manufacturing villages; or at least it cannot exert its power and its influence, except when it appeals to the foreign laborer, who lacks the spirit and the local pride of the native inhabitant. The good will of the native towards his employer can, however, be easily forfeited by abusive and arbitrary treatment, but under considerate management he will resist and even resent outside influences which may tend to disturb this relationship.

The environment of the small town promotes a type of labor with marked differences from the proletariat of the large cities. The nomadic spirit rarely manifests itself, for the narrow industrial field with its limited opportunities does not encourage frequent changes of employment or of occupation. In many instances the entire family works in the same establishment, the son often succeeding the father in the same occupation. This type of help has particular value, because it promotes coöperation, efficiency, and labor stability.

Regular habits and an orderly life are characteristic not only of the inhabitant of the rural district but also of the laborer of the small town. Community and neighborhood spirit is strongly developed and the laborer takes a direct interest in all local matters, whether social, political, or religious. His home is generally within easy walking distance from the factory, thus saving not only time and expense but permitting him to take his noon meal at home.

The advantages which the small town offers to industrial enterprise and to the laborer are obvious, but they have not overcome the most potential factor which attracts industrial enterprise to the large cities, namely, ample supply of labor. Although less than forty per cent. of the total population of the United States dwell in cities of over ten thousand inhabitants, those cities employ sixty-seven per cent. of the industrial labor.<sup>1</sup> Density of population and industrial concentration exert reciprocal attraction upon each other. The large cities attract industries because of the abundance of labor, and in turn the abundance of industries attracts labor. This reciprocal action can be interrupted and counteracted only by causes which will seriously impair industrial operation in large cities, like scant labor supply and low labor efficiency. Widespread strikes and a greatly diminished and deteriorated supply of

<sup>1</sup> *Abstract of the Census of Manufactures, 1914*, published 1917, table 180, p. 284.

labor will not only force a redistribution of labor and remove it from the disturbing influence of the large labor centers but will also decentralize many of the large industries and compel the operation of small manufacturing units distributed in small towns.

It may be argued that a group of widely scattered manufacturing units, placed under a central control and management, cannot be as economically and as efficiently managed as a single large unit. This is, however, entirely determined by the nature of the industry. Many of the leading industrial organizations, as for instance the American Woolen Company, the American Cigar Company, the American Sugar Company, are entirely dependent for the products upon a number of relatively small factories located at different points in the country. It may also be argued that the limited supply of labor of the small town restricts industrial operation and expansion. In answer, it is only necessary to point to some of the war industries, which were located at points where neither town nor labor existed, but they were nevertheless able to organize quickly large labor forces, attracted from near and distant labor centers by a higher wage.

Aside from the advantages of better living conditions the worker of the small town has also the advantage of the higher purchasing power of the wage and of a lower living cost due to lower rents and to lessened requirements in dress, amusements, car fare,



etc. Moreover in the small town the laborer is raised to the dignity of an active and a desirable member of the community; whereas in large labor centers he loses his individual identity and is reduced to an insignificant mechanical unit of the productive machinery. Most important of all to both capital and labor is the more harmonious relationship which exists between them in the small town, and which is less exposed to the influence of trade unionism and to disturbing labor agitation than in large cities.

In the face of these facts the conclusion seems justified that the present labor unrest will, among other revolutionary changes, restore as a productive factor the importance of the factory village and the small industrial town. It would also follow that with increasing opportunities for profitable employment the laborer from the rural districts is more likely to be attracted to the factory village and to the small industrial town, and hence will cause a redistribution of labor and lessen the drift from the rural districts to the large labor centers.

## MORAL ECONOMICS AS APPLIED TO LABOR

SOCIAL and economic conditions are closely related and act in strong sympathy with each other. Social revolutions are invariably accompanied by economic revolutions and vice versa. The introduction of power machinery in the early part of the nineteenth century had far-reaching social consequences, not the least of which were the removal of the family from the home to the factory, thus diminishing the influence and importance of home life, and the influx of rural populations to industrial towns, resulting in congestion and in the many social evils due to crowding. Social progress in modern times has effected a revolution in labor conditions, for it has not only eliminated child labor, restricted female labor, curtailed male labor, and lifted the living and working standard of the workingman to a higher level, but it has changed and readjusted the relation of capital and labor. The nineteenth century portrayal of capital as the stern and arrogant autocrat and labor as the downtrodden victim would ill fit modern labor conditions. Labor is no longer treated as a mere commodity reducible to dollars and cents, but is recognized as a strong living force, susceptible and

responsive to every human impulse and demanding in its operation the most judicious care and attention. Social progress has increased the dignity and importance of labor and it has also lessened the value and influence of capital. The leveling process has, however, not reached the point of closer community of interest, but it has resulted, so far as capital is concerned, in a decided change of attitude towards labor.

The spirit of indifference and arrogance which at one time distinguished capital is giving way to a friendly and benevolent interest in the physical and moral welfare of the workingman. Capital no longer attempts to control labor by drastic or arbitrary means but applies the moral code to questions at issue with labor. It does not belittle the value of this moral awakening that it has not been aroused by agitation or legislation or prompted by philanthropic motives; on the contrary, the change is likely to be permanent because it springs mainly from necessity and self-interest. The old economic principles and policies can no longer be successfully applied to modern industrial operations in view of the diminished supply and the greater power of labor. The control of labor is now, more than ever, a difficult problem, which cannot be solved by the application of selfish business principles and methods, but must be influenced by ethical principles or what may be termed "moral economics." The study of the labor question, particularly as related to labor welfare, has become a

special science, not exclusively confined to social reformers and political aspirants but also receiving the serious attention of the employers of labor as an essential economic requirement of modern industrial enterprise.

Labor welfare is not only the index of social progress but is becoming recognized as a basic political and economic principle in all civilized countries. Germany and England have been far in advance of the United States in this movement, and some of the measures, as old age pensions, permanent disability provisions, unemployment and life insurance, come close to the principles and doctrines advocated by socialism. In these two countries, however, the advance of labor welfare is the outgrowth of political aims and policies, whereas in the United States it is due largely to the development of an economic need and not of a political creed. There is also this difference that in the European countries labor welfare as a creation of the state is confined within the prescribed limits of the laws, beyond which it is not supplemented or stimulated to any large extent by private agencies. In the United States it is a voluntary service beyond the legal requirements and is supported exclusively by capital as the means of strengthening its relationship with labor. Capital has learned from practical experience and observation that labor is more contented and more tractable under a benevolent protectorate than under a stern mastership,

and that a community interest and a spirit of coöperation and loyalty can be awakened thereby.

That this movement is not sporadic nor confined to a few large industries is evidenced by the fact that the New York Public Library has on file a list of seven hundred and fifty concerns which have introduced some form of labor welfare work. Some confine themselves to special benefits, such as pensions, sick benefits, or life insurance; others cover almost the entire field of welfare work in a most scientific manner, maintaining well-organized research bureaus for the purpose of improving the living and working conditions of their employees. Every possible safeguard is applied to protect employee's health and life at his occupation and in his home. Well-equipped hospitals, dispensaries, and dental clinics are maintained for his benefit, and some of the concerns provide medical attendance, trained nurses, home visitors, whenever they are required by the employee or his family. Nor are his educational, recreational, or even cultural needs neglected. In many of the large industries, industrial schools and schools for foreigners are conducted, and club houses with libraries, gymnasiums, theaters, and also outdoor facilities for every sport, including tennis courts, are at the disposal of the employee. Marked improvement is being effected in the housing of the workers, and in the more recently organized industries this feature has received careful study, with a view of

making the home attractive, so far as comfort and modern conveniences are concerned. Restaurants are maintained in most of the large industries, serving food at cost and even below cost, and the following few items copied from a lunch card of a factory restaurant in Rochester, New York, may be accepted as typical of many, at least prior to 1917:

Roast beef .....	5 cents
Boiled ham .....	5 cents
Mashed potatoes .....	3 cents
Assorted cakes .....	1 cent
Bananas .....	2 cents
Milk .....	2 cents
Ice cream .....	3 cents
Apple pudding .....	5 cents

Some of these restaurants offer a complete lunch consisting of soup, meat, two vegetables, dessert, tea or milk, and including bread and butter, at a price ranging from twenty-five to forty cents.

Apart from all other benefits, some of the concerns have introduced profit sharing, or coöperative plans, and if we may judge from the example of the United States Steel Company, which had in 1913 over 35,000 shareholders among its employees with an aggregate holding of over 125,000 shares, labor is availing itself of this advantage quite freely. This same concern spent on welfare work in 1916 approximately ten million dollars, and among other things maintains a school system in Gary, Indiana, for the benefit of its em-

ployees, which is recognized the world over as a model of its kind. With many concerns welfare work forms a notable feature of the organization, and is being extended and perfected, notwithstanding the great expense it entails. The welfare system is the pride and the outstanding feature of the organization, upon which large sums are freely expended without imposing an additional tax, or at least any material tax, upon the beneficiary. It will be observed that the responsibility is not confined to the limits of the factory, nor does it end with the day's work of the employee. Ample opportunities are offered to him during his leisure hours for indoor and outdoor diversion, for physical and intellectual improvement, and for social intercourse with his neighbors under attractive conditions.

Capital is recognizing that the elevation of labor means the elevation of the industry and increases the economic value of the latter by strengthening its permanency and raising its effectiveness. Above all capital sees that labor efficiency is largely determined by the spirit which actuates the laborer in the performance of his work, and that coöperation and loyalty can be developed and stimulated only where the employer has gained the good will of his employee.

After this brief outline of labor welfare work the conclusion is justified that capital is doing its share to bring about a closer relationship with labor, and the question naturally suggests itself as to what is the lat-

ter's attitude under the circumstances described. At the outset it is necessary to point out that labor unions are out of sympathy with the movement, the objection being based upon the following two reasons: first, that the welfare of the individual laborer can be promoted only by an adequate wage; second, that the cost of welfare work constitutes a tax on the wage and becomes a factor in fixing it. The first contention would seem plausible if it could be demonstrated that capital is cultivating this labor welfare work as a cover for a low wage or for the purpose of reconciling labor with a low wage. This, however, would defeat the very aim of capital of developing higher labor efficiency, the absence of which is impairing every industry and the development of which demands, first of all, an adequate wage. Labor efficiency is largely a question of living conditions, and where the latter are low the former must also suffer. Moreover the term adequate wage can be variously interpreted, and may be said to be determined by two factors; the amount of the wage and the disposition of the wage. The wage may be ever so liberal and still prove inadequate if not judiciously managed, which unfortunately is the case with a large part of the working class, and which is also the cause of keeping many of them in the grip of poverty. The wage cannot, however, be considered adequate if with reasonable care it fails to insure the essentials for a decent existence, or if it is insufficient to maintain the



worker and his family in proper physical condition.

The second reason advanced by the labor unions, that the welfare movement constitutes a tax on the wage, could be accepted as a fact only if the wages in the industries supporting labor welfare were lower than in those in which this factor does not exist. It appears, however, to be established that the highest wage is paid in the industries in which the highest labor efficiency prevails, and in most of these industries labor welfare work is a prominent feature. The attitude of organized labor cannot be accepted as reflecting the sentiment of the individual worker, who avails himself freely of the many advantages of organized labor welfare, not however without a lurking suspicion regarding the motives of the paternal innovation. Suspicion is a strongly developed trait in the average laborer, and this is largely due to the nature of the relationship of capital and labor.

Moral economics is based upon the theory that a harmonious and friendly relationship between capital and labor can be maintained and that labor efficiency can be promoted only by elevating the living and the working standard of the individual laborer, and that discontent is lessened and permanency of labor insured by providing him with decent and attractive surroundings, which shall include not only a comfortable home but also the necessary facilities for self-improvement, for diversion, and for social intercourse with his

neighbors under conditions which tend to develop a neighborhood and civic spirit. It maintains above all else that his wage shall be adequate to provide him and his family with necessities and the ordinary requirements for a decent existence. No sacrifices are required of labor under the changed conditions, which offer the worker increased opportunities and privileges without imposing upon him an additional financial burden, which capital voluntarily assumes in promoting labor welfare.

The cold fact must be recognized that altruistic principles cannot play an important part in industrial and commercial life, and that the laws of competition are tyrannical and are not influenced or softened by sentimental impulses. It may therefore be taken for granted that the cost of maintaining industrial labor welfare enters into the cost of the finished product, and becomes an important factor, particularly in times of close competition, when the operating cost may be said to determine the success or failure of industrial and commercial enterprise. The cost of maintaining organized labor welfare is, however, in most instances offset by lessened labor turnover, by increased labor efficiency, and by a higher intellectual and moral standard of the laborer. For instance, one of the most serious problems with which capital has to contend is the restless and nomadic spirit which characterizes a large element of the working class, due partly to discontent

with surroundings and the monotony of the occupation but often also to shiftlessness and to a roving disposition. It is not always the desire for self-betterment but rather a confirmed habit of unrest which prompts the frequent changes of employment, infecting in some instances with this spirit a large part of the working organization of a plant. Others again will work only spasmodically, according to their needs or their whims, and this becomes particularly pronounced in times of prosperity, when the larger income encourages many intervals of self-imposed idleness. Without ambition to elevate themselves and their family, without special wants or desires, they lead a happy-go-lucky existence, exerting themselves only when their needs become urgent. These two conditions constitute a most disturbing factor, not only affecting every industrial organization by lowering labor and operating efficiency but also seriously injuring society by increasing and intensifying poverty. This type is, however, not beyond redemption, for under proper environment and healthy influence his habits are gradually modified and he is less inclined to lead a nomadic life and shirk work.

It is apparent that organized labor welfare offers the laborer many advantages, not the least of which are the opportunities for self-improvement and for a sane existence. It offers capital advantages in a more cordial relationship with labor and in promoting higher labor efficiency. But it also offers a decided benefit

to the state in training a more intelligent and better fitted citizenship, and in reducing the outlay for maintenance of corrective institutions. The greatest benefit of organized labor welfare is its tendency to make labor more contented and thereby lessen the pressure of the existing labor unrest.

## HANDLING OF LABOR IN SMALL PLANTS

ORGANIZED labor welfare, owing to its great cost, is necessarily confined to organizations with large capital and employing large forces of labor. The special census of manufactures in 1914<sup>1</sup> showed that only 31 per cent. of the wage earners in the United States are employed in 1996 establishments averaging more than 500 laborers each. The remainder, constituting 69 per cent. of all the industrial labor, is distributed in smaller groups of less than 500 laborers in 240,939 establishments, averaging approximately 20 laborers

<sup>1</sup> The following part of table 193 in the *Abstract of the Census of Manufactures, 1914*, p. 391, shows the total number of establishments in the United States in 1914, grouped according to the average number of wage earners employed and the percentage of wage earners in each group.

Wage earners per establishment	Number of establishments	Wage earners (average number)	Per cent. of total wage earners
1 to 5.....	140,971	317,216	4.5
6 to 20.....	54,379	606,594	8.6
21 to 50.....	22,932	742,529	10.6
51 to 100.....	11,079	791,726	11.3
101 to 250.....	8,470	1,321,077	18.8
251 to 500.....	3,108	1,075,108	15.3
501 to 1000.....	1,348	926,828	13.2
Over 1000 .....	648	1,255,259	17.8

each. The fact that 69 per cent. of all labor is distributed in 240,939 small establishments is a very vital point, and has a special bearing on the economic and social importance of the small industrial unit and on labor problems in general.

The figures clearly establish the following facts:

1. The dominating factor, so far as the employment of industrial labor in the United States is concerned, is not the large manufacturing unit employing over 500 wage earners but the groups of small units each employing less than 500.

2. The largest percentage of industrial labor is employed in the medium sized establishments, each employing 100 to 250, with a total of 1,321,077 wage earners, against a total of 1,255,259 employed in establishments of over 1000 wage earners.

The character and type of labor differ not only between the large and small establishments but also between the large and small cities and towns, just as the rural differs from the urban inhabitant. The difference manifests itself in the mental attitude of the laborer and in the performance of his work. The relationship of capital and labor assumes a different aspect according to the circumstances and conditions under which labor is performed. It would seem that, notwithstanding the advantages and the inducements which many of the large industries hold out to the laborer, such as organized labor welfare, profit shar-

ing, and industrial democracy, he becomes more attached to the small plant. The cause can be found in the difference of the working conditions, which are largely influenced by the closer touch with the employer, and in their psychological effect on the laborer. In the large establishment the individual laborer is reduced almost to a cipher in the swarm of coworkers, each forming a mechanical unit in the operation of the vast machine. The human element is almost entirely lacking in the relationship of employer and employee, discipline is rigid, individuality is suppressed, merit is slow to be recognized, and promotion and betterment are remote. The monotony and sameness of occupation are intensified by the restraint of close supervision and by clock-like control over the movements and action of the individual laborer. In the small establishment, on the other hand, the human element is strongly manifest, not only in the greater freedom of the worker and in the more intimate companionship with his fellow worker, but in the closer touch with the employer, to whom the laborer can present his grievances and to whom he often applies in trouble and in misfortune. Individual merit has greater opportunity for recognition, and monotony and strain of occupation are relieved by greater freedom and relaxed supervision. All this may not promote high operating efficiency but it makes the laborer more content with his employment and with his environment, provided he is working un-

der sympathetic management. The wage is, of course, the all-important factor in the mind of the laborer, and it outranks every other consideration and every other advantage. But the wage being equal, the average worker will under fair treatment become permanently attached to the small establishment, although it lacks the advantages which the large establishment offers by means of organized labor welfare activities.

Among the many schemes which have been evolved with a view of cultivating a spirit of harmony and co-operation in the laborer, profit sharing, organized labor welfare, and industrial democracy are of special importance, and each has its advocates, but not the support of organized labor. Harmonious relationship with labor can, however, not be created and maintained by prescribed formulas nor by scientific principles. Whatever method is applied in the handling of labor, it cannot prove a permanent success unless the human spirit is the actuating force, and labor can realize that it is under a rule of right and justice. In this respect the small establishment has a decided advantage over the large, for in the closer and more intimate touch with its employees, the human element plays an important part and gives the relationship greater resistance to disturbing influences. In the small plant the complaints and grievances of the employee come to the direct attention of the employer long before the trouble reaches an acute stage or a breach between the two parties is immi-



ment. In most instances the points of difference are adjusted by the simple policy of "man to man" talk, without resorting to any outside agency by which one might secure an advantage over the other. This is particularly true of establishments in small industrial centers, where trade unionism is not a strong factor. If the issue seriously concerns labor, for instance wages or hours of labor, the negotiations on behalf of the employees are entrusted to a specially appointed delegation, and in some cases to the foreman, provided he is in sympathy with the cause, and in conference with the employer a settlement or compromise is generally effected. The greater freedom which the laborer enjoys in the small plant tends to develop in him not only self-confidence and a spirit of initiative, but it also encourages outspoken criticism, which does not necessarily lead to strife but is often instrumental in correcting an existing abuse or shortcoming.

The relationship of capital and labor is maintained in most of the smaller establishments on democratic principles, not in form but in spirit. This should not be confounded with "Industrial Democracy," a newly evolved principle or system for the purpose of promoting harmony with labor, which proposes to democratize the relationship of capital and labor by granting the latter the right of representation in the adjustment of all labor questions. Like the right of citizenship, this right is exercised not by direct participation but by

representation through three agencies, termed Congress, Senate, and Cabinet. Labor is represented in the first, heads of departments in the second, and the administrative staff in the third. At this point, however, democracy ends, for the most important factor is the veto power, which is vested with the management, and from which there is no appeal. It is evident that if "Industrial Democracy" is to serve its purpose, it must have the unbounded faith and confidence of the laborer and, if once the veto power is arbitrarily exercised and comes in conflict with the sentiment of labor, its usefulness is destroyed. Hence the success of this policy depends entirely upon the benevolent disposition of the management and upon the confidence of labor in the management. Where, however, this spirit actuates the relationship of capital and labor, the use of a Congress, Senate, and Cabinet for the adjustment of labor disputes seems to be superfluous and cumbersome and may in the end prove an impediment and not an aid. Under any condition this system is as ill adapted for a small concern which has the advantage of personal touch with labor as is a parliamentary form of government for a small town.

It is nevertheless true that frequent labor disputes characterize many small establishments in large cities, and particularly the type identified with industries in which low cost of labor, and not merit of the product, is the operating factor. Establishments of this type

are in most instances handicapped in their competition with large concerns, as well as in their relation with labor, by lack of capital and lack of credit, and are actuated by the one narrow principle of strict economy and saving. Low cost of production is insured by a low cost of labor, and often also by a low standard of living of the employer himself. It must be obvious that in the keen struggle for commercial existence and progress, the small establishment will under those conditions not concern itself with the welfare of the employees, except under stress of necessity or under pressure of public sentiment. The law of self-preservation has, however, a sharp edge, cutting both ways, and, if applied to the intercourse of capital and labor, leads to the formation of two opposing camps, each eager for the opportunity of retaliating upon the other, with the result that both suffer from frequent strife and both are kept on a low level economically and ethically.

Proper handling of labor demands good judgment and tact and a thorough understanding of the human motives which actuate labor. Strife and friction with labor are often due to lack of discretion and often also to the arbitrary and unsympathetic attitude of the employer. Obstinacy, arrogance, and abruptness do not reconcile differences, and this is particularly true in dealing with labor. The employer having as a rule the advantage of a better education and more practical experience, if not of a higher intelligence, it is incum-

bent upon him to adjust judiciously and fairly every issue which may tend to disturb his relationship with labor. The average laborer arrives at his conclusions concerning his employment not so much by the reasoning as by the emotional powers, and he is therefore largely actuated by impulses, as he is also strongly susceptible to influences. This makes it all the more necessary that all grievances of labor receive careful and impartial consideration if the employer is to retain the confidence and the respect of his employees. In many instances, however, the scale of justice and fairness is so evenly balanced between the contending parties that even an impartial arbitrator would be at a loss to adjust the conflicting interests, and what would be considered an act of justice to one party might prove unjust to the other. The employer has to display a strong discriminating sense and he cannot allow self-interest to be the sole determining factor in dealing with labor grievances, as the following incident clearly demonstrates: Some years ago the employees of the concern which will serve here for further illustrations demanded the observance of Saturday half holiday. To do so necessitated the complete suspension of work on that day in some departments, as the dyeing, bleaching, and scouring, the process of which demands uninterrupted treatment, and in consequence the existing time schedule had to be adhered to. On closer study the employer subsequently came to the conclusion that the

Saturday half holiday was a most essential requirement of labor, not so much from the standpoint of rest and needed diversion as for the opportunity it offers to the laborer and to his family to do the necessary shopping and marketing and putting the home in order. In the face of these facts self-interest of the employer, important as it was, had to give way to the higher interest of labor which the grievance involved.

In most of the industries the small establishment is favored by a closer and more harmonious relationship with labor than the large establishment, and this is particularly manifest in the small towns, where a strong fellow feeling and common interest exists between employer and employees, the former frequently assuming the character of a *pater familias*, who is the actuating spirit of their activities, whether social, religious, or political. He shares in their joys and in their sorrows, and is present at the weddings and at the funerals, and often acts also as the godfather of the offspring of the employees. The ideal relationship of capital and labor finds here a practical demonstration in a close bond of fellowship based upon community of interest and upon mutual coöperation.

The actual experience of one of the smaller plants employing about 150 workers will serve to illustrate a thirty-year relationship with labor which has never been marred by serious disturbance or disagreement. The plant is located in an industrial town of about

30,000 inhabitants, and the help, at one time composed of American and Irish, has in the past fifteen years been largely recruited from Italian, Hungarian, and Polish immigrants. From its early stages until recently, when the wage became highly inflated, this concern had observed the principle of paying its labor at least five per cent. more than the maximum rate prevailing in the vicinity for the same class of work, not from motives of philanthropy but as a matter of business expediency. The loss and annoyance caused by frequent labor turnover justify every means which will induce the laborer to remain at his job, and probably the least costly and the most effective expedient is a liberal wage. Promotion from the ranks was made a marked feature, as an incentive to high effort and keen interest in the result of the work. A boy who was assigned to the dyeing department as a helper gradually rose to the position of boss dyer, and is at the present time, or was until recently, acting as a professor in a textile school in Philadelphia. Another boy, beginning as a helper in the card room, rose to the position of boss carder, and is now filling the highest post as superintendent of the factory. Organized labor welfare was not attempted, or rather, when it was attempted on a small scale, did not meet with encouragement from the employees. A mutual benefit society was organized among the workers, to which the concern contributed annually the same amount as the fees

collected, but its success proved also its deathblow, for when its accumulated assets reached a rather substantial sum, the members insisted upon a distribution, and each received as his share thirty-two dollars. The next attempt, that of insuring in a stock company the entire group of employees against the contingencies of illness and death, likewise proved a failure for the reason that some of the employees declined to assume the one-half cost to which they had pledged themselves. Later attempts to insure the life and the health of the entire group of employees proved a success simply because the company assumed the entire cost. Extreme suspicion by labor manifests itself even when the employees' welfare is the sole consideration of the employer, as was the case in the foregoing two instances.

In the absence of organized provisions for the relief of the employee, the concern adopted the policy of dealing with each case individually according to its merits. Being a voluntary action on the part of the employer, without any tax on labor, and unexpected by the individual, it tended to create a more sympathetic relationship between employer and employee than could probably be attained by means of organized welfare agency. As an illustration we will quote here the case of an employee who after eighteen years of service had reached the age and the condition of inability to perform longer the necessary labor. He had no savings, his children could not or would not take care of him, and a public



institution would have been his only resort had not the concern retired him on half pay. This primitive pension system has been adopted by the concern as a permanent policy, the cost of which has in the past ten years never exceeded fifteen hundred dollars per annum, which is equivalent to an increased wage of ten dollars per annum for each of the one hundred and fifty laborers.

Little acts like these receive their response, if not their reward, in closer coöperation, in increased loyalty, and in higher efficiency, which have distinguished this labor organization even during the critical period of 1918. Labor is essentially human, and the service it renders is largely influenced by the treatment it receives. It is responsive to evidences of appreciation and to words of approbation, just as it will resent words of disapprobation, particularly if they spring from impulse and not from a just cause. Certain acts, no matter how generous or unselfish the motive, are often construed by labor as serving the interest of the employer, or as something to which it is by right entitled, as for instance the practice of paying bonuses at certain periods. The occasion and the state of the labor market must be considered in the recognition of service, if it is not to be interpreted by labor as a sop. The concern already mentioned recently introduced the practice of recognizing periods of service by awarding thrift stamps ranging in amount from twenty-five to



forty dollars according to the term of service, and employees who have completed ten years of service receive each a fifty-dollar Liberty Bond. The act was particularly appreciated because it was timed when the labor supply was over abundant and the plant was not being operated on full time.

In some instances the interest of the worker can, by means of certain activities created for his diversion, be directed into channels which, aside from the benefit to employee and employer, may exert a decided influence not only upon the worker's environment but also upon the community, as will be observed from the following experience :

Induced by the high cost of living in 1916, this same concern hired several acres of land in the vicinity of its factory and, after having it cleared and ploughed, turned it over to thirty-eight of its employees for cultivation, providing them also with some garden implements and an assortment of vegetable seed. The employees divided the land into thirty-eight equal plots, each man taking care of his own plot for his own benefit. The work was performed when the day's labor at the factory ceased and on Saturdays and Sundays, and none of the plots showed at any time evidence of neglect. As a result this group of amateur farmers raised, besides a bountiful crop of cabbages, beans, turnips, etc., a full winter supply of potatoes for each individual member of the group, and at a time when this

indispensable vegetable was almost prohibitive in price. The farm has since become a fixed institution, and the entire cost of its maintenance does not exceed two hundred and fifty dollars per annum, which the concern assumes. How much importance is attached to it by some of the employees may be inferred from the fact that one of them, after being discharged from military service owing to a disability, applied for his old job at the factory, but with the condition that the plot which he began cultivating in the spring of that year be restored to him. It is not alone the material and recreational benefit which this primitive farming venture offers to the laborer, but the influence it exerts upon his character, his citizenship, and his relation to the employer that deserves particular notice.

The foregoing account forms a typical illustration of the smaller establishment in which the relation of employer and employee is based upon the application of certain principles, combining practical business policy with human sentiment. The employer recognizes that this relationship imposes upon him certain moral obligations towards his employee, and he also recognizes that labor treated as a commodity and not as a human element will render service accordingly, to the detriment of both employer and employee. It should not be inferred that the spirit of unrest which is animating labor in general at the present time, does not in

some degree also affect this organization. But where employer and employee are actuated by mutual consideration and mutual obligations, labor unrest manifests itself in milder form and does not, as a rule, lead to serious or prolonged disturbances.

Leaving out of consideration the human aspect of this policy in dealing with labor, it may be asked whether from a business point of view the result justifies the cost. It will be observed that in the case quoted the employer makes only a few simple but essential provisions in the interest of its employees, as group insurance and a crude pension system, but it does not offer protection against other contingencies to which the laborer is also peculiarly exposed, as temporary unemployment and short employment. The group insurance embraces the following features:

1. Life insurance beginning with five hundred dollars after the first year and reaching a maximum of fifteen hundred dollars on completion of eleven years of service.
2. A stipulated income in the event of an employee becoming totally disabled through accident or disease, and this benefit he receives irrespective of the protection which the Workmen's Compensation Law offers him.
3. Gratuitous service of a visiting nurse in case of sickness of an employee or a member of his family.

The cost of the group insurance based upon a working force of one hundred and fifty employees does not exceed twelve hundred dollars per annum.

The pension system, crude and limited as it is, proves nevertheless a decided benefit to the aged dependent. Age limit or term of service do not enter into consideration, but when an employee reaches the stage of permanent disability and can no longer earn a wage, he receives a weekly allowance according to his financial and physical condition, not exceeding, however, eight dollars a week.

The total cost of the various benefits which this concern maintains in the interest of its employees averages about thirty-five hundred dollars per annum, which is equivalent to an increase of forty-three cents in the weekly wage of each of its one hundred and fifty employees. The mere fact that with a per capita cost of only 43 cents a week so much can be accomplished in the interest of the employee, not considering the benefit to the employer as a result of the harmonious relation, would seem to be in itself a conclusive answer to the query whether the result of this policy justifies the cost.

## LABOR AS IT AFFECTS THE WIFE AND THE HOME

THE moral and intellectual advancement of labor is almost entirely dependent upon an adequate wage and a proper home. The latter must be attractive not only in a physical sense, by offering the essential comforts and satisfying the bodily needs, but also in a spiritual sense, by serving as a source of peace and contentment. The wage must be adequate to enable the wife to devote her whole time to the care of the home, for the management of a laborer's household, modest and primitive as it is, imposes a hard task upon the wife. Whatever the hours of labor of the husband, the duties of the wife know no end or time limit if the home is to receive the proper care and attention. The low moral and physical condition which is characteristic of the homes of many workingmen may be attributed to an inadequate or an injudiciously expended wage, owing to which the wife is compelled to contribute to the support of the family by doing work outside of the home. In such a home, squalor, neglect, and often also actual misery are strikingly evident, and neither husband nor children receive the necessary care. The children are undernourished owing to lack of properly prepared

food, just as they are also unruly, if not wayward, because of lack of proper control and supervision. It is not an uncommon practice, in homes where husband and wife are both wage earners, to entrust the care of the younger children to an older one, although also a mere child requiring motherly care. Many of the social evils, and especially juvenile delinquency, can be clearly traced to homes which lack motherly supervision. The child, being left to its own resources, chooses any street diversion which may appeal to its youthful fancy, and long before it has reached maturity its character is molded under conditions and in environments which often necessitate care in a corrective institution. Nor can the laborer find rest and contentment in the neglected home, and he seeks cheer and diversion wherever they offer themselves. In many instances the married woman, as a contributor to the support of the family, will continue to work as a wage earner until the last stage of her pregnancy and resume her occupation, to the detriment of herself and her infant, long before she has recovered her strength. The increased earnings due to the joint efforts of husband and wife may relieve the family from actual want, or help to provide additional comforts, but the material improvement is obtained at the cost of the moral welfare of the family and at the sacrifice of the contentment and happiness of the home. The evil may not directly affect the interest of labor, but it is of

vital consequence to society, inasmuch as it undermines the functions and the moral influence of the home and endangers the welfare of the child.

The married woman as a wage-earning factor of the family presents also another phase which has a decided bearing upon the labor, the duties, and the character of the husband. The picture illustrating the status of the woman in some European countries, which depicts the husband as contentedly smoking his pipe in sweet idleness while the wife is performing heavy labor in the nearby field, is not at all overdrawn. It correctly portrays a social condition which prevails in many lands, and it also conveys the vitiating effect upon the man when woman assumes the labor and the duties which by generally recognized custom, if not by the laws of nature, devolve upon the husband. The male bird displays finer instincts, for it braves all the elements to provide food for its brood while the mate is guarding them in the nest from danger.

Just as child labor has been recognized as a social evil and its elimination has been accomplished in the greater part of the United States, so the labor of the woman wage earner who has the care of the home and her young children could be judiciously restricted and should be sanctioned only under special circumstances. The husband is the legal provider for the family, except where perverted moral laws prevail; and, although the standard wage takes this fact into

account, it is nevertheless in many instances inadequate, particularly if the family is large or contingencies arise which impose an additional tax upon the man's earnings. In view of the prevailing high wage the time would seem opportune for restricting the labor of married women to the home, and for insisting that the husband be the sole supporter of the family, except where the wife is by necessity compelled to take his place. If the husband is compelled to provide for the family without his wife's aid he is likely to avoid idleness and to become a more persistent and efficient worker in order to increase his earnings. The elimination of child labor, which was formerly an important factor in the combined earnings of the family, did not cause serious economic disturbance to those directly concerned in the change, and the reform here advocated is not likely to prove of greater consequence, so far as the economic status of the family is concerned. Labor has demonstrated its power of correcting most of the evils which interfere with its welfare and its interests, but it has neglected to use its influence and its resources in the direction which concerns labor and society most vitally, namely, the elevation of the home of the workingman.



## OBJECTIONS TO A LEGISLATED MINIMUM WAGE

THE wage cannot be considered apart from its purchasing power, but, strange as it may seem, this fact was until very recently almost entirely ignored by the wage earner, and in some instances by our legislators and social reformers. Whether the wage be high or low, its actual value is determined by the cost of living, and under certain conditions the workingman does not fare so well with a high wage as with a low wage. It is only when the inflated cost of living more than absorbs his earnings that the workingman is made to realize that the value of the wage is not measured by the amount of the remuneration but by the cost of his necessities. While the cost of living and the wage act in close sympathy and follow each other's movements, the former is more sensitive to the factors which cause the rise and decline in the cost of commodities and hence is subject to more frequent fluctuations. It is on this account that a minimum wage law, which has already been enacted in different forms in fourteen states, will require frequent revision and readjustment to meet the fluctuating cost of living as well as the changing economic conditions, or it must

remain a dead letter. Owing to local differences in the cost of living, the law will also have to provide a differential rate for large cities and smaller towns, if not for different sections of the same city. Some of the state laws relating to the minimum wage have taken this fact into account by providing for a permanent board with power to regulate the minimum wage according to the fluctuating cost of living. The task of such a board will, however, be put to a test not when general inflation favors and facilitates raising the minimum wage but when general contraction will demand scaling the wage to lower levels.

Seemingly the law becomes inoperative in times of industrial and commercial activity, when the keen competitive demand for labor creates automatically a high wage scale and the employer is under the necessity of employing labor regardless of experience, skill, or efficiency. On the other hand in normal times, when labor is abundant, the efficient worker is likely to have the preference in employment, for he is more profitable to the employer at a maximum wage than the inefficient worker at a legislated minimum wage. In times of economic reaction the minimum wage earner will be placed at a decided disadvantage in competition with efficiency and experience, and this handicap cannot be removed by legislative act. Laws may be enacted to prevent a decline of the wage below a legally fixed rate, but they cannot compel employment

nor prevent discrimination, and the worker himself will in the end determine which of the two evils is the less, temporary idleness or an inadequate wage.

The point may also be raised that a minimum wage rate will discourage the employment of learners or apprentices in certain trades, for a large number of those who will be affected by the enforcement of the law are young and inexperienced learners on the threshold of a trade, who with increased experience eventually become better wage earners. If the employment of learners is, however, made unprofitable to the employer by reason of a drastic minimum wage law, the incentive for their employment and for their training is likely to be removed, particularly in times when a normal supply of experienced labor is obtainable.

Aside from the reasons advanced here against a legislated wage, the fact cannot be overlooked that labor has demonstrated in recent years that by collective action it can successfully cope with any problem which concerns it, whether it be the wage, the working hours, or any labor regulation. Through the efforts of the labor unions a scientific wage scale is operative in many of the trades, by which every worker, from helper to foreman, is insured a fair wage according to rank and character of service. This arrangement is all the more effective because it is based upon a mutual wage agreement of the two parties directly concerned in it, the employer and the

employee, and it is not open to the complex and conflicting legal interpretations of a rigid legislative wage enactment. It is not open to evasion or to serious contention, and both parties adhere strictly to this minimum wage principle because it adjusts itself to all economic fluctuations and forms a scientific base for the wage scale. Trade agreements virtually constitute trade codes regulating the relation of capital and labor, by means of which most of the questions at issue can be and in many instances are amicably adjusted. They also insure greater stability to labor and to capital by lessening the causes for serious labor and trade disturbances. Although the unions exercise jurisdiction over only a minor part of the labor element of the United States, their action affects sympathetically the entire field of labor, and their rules and rulings not only have the force of law so far as the individual members of the union are concerned but also strongly influence the attitude of unorganized labor in the remotest parts of the country. Just as under pressure of collective action the standard ten-hour day has been gradually reduced to eight hours, with the prospect of still further time curtailment, so can the same forces be instrumental in establishing a generally recognized minimum wage, as has been demonstrated in many of the trades. A minimum wage enforced by collective action of labor will have the advantage of following closely the trend of fluctu-

ations, and it will be less exposed to the evasions and misinterpretations which often characterize legislative enactments.

The minimum wage law which is being strongly advocated by leading social reformers, having been adopted in fourteen states and in different forms, cannot be said to have had a fair test demonstrating its practical value under all economic conditions. Its operation has not covered any period of marked economic depression or of a declining wage, and only under those conditions can a legislated minimum wage have an opportunity of justifying its enactment. It is also obvious that the law remains dormant and is of little practical value when labor scarcity enables even the inefficient and the inexperienced to earn a wage far above the minimum scale. The present outstanding problem the world over is not a low wage earned by excessive labor but an inflated wage earned by greatly diminished labor, and this applies to the minimum as well as to the maximum wage.

It may be suggested that the minimum wage law was enacted to protect the laborer in times of economic reaction or when under pressure of want he is likely to submit to a wage which is inadequate for his support. But even in view of such emergency it will have to be assumed that the present awakening and power of labor is merely a passing manifestation or a delirious outbreak, and that labor has not shaken off the

impotency and lethargy which characterized it in the nineteenth century. It will also have to be assumed that labor is still the ward of the state, requiring special care to protect it from the unjust and oppressive rule of capital. This, however, would be contrary to the generally accepted conclusion that the power, influence and prestige which labor has gained cannot be destroyed and will remain a permanent force in the social and economic organization. Labor can no more relapse to its old condition than society can to feudalism. The new spirit of labor springs from a strong consciousness of its might and of its rights, and it will not suffer the curtailment of any of the vital advantages which it has gained, even though the support of the state is withheld. This does not signify that contraction of the wage from its present inflation will not eventually occur, but it will be accompanied by a reduced cost of living, and the powers of labor will prove equal to meet this contingency and prevent the wage from reaching a level which would tend to lower the laborer's standard of living.

## HOUSING OF THE LABORER

WHETHER it be a mansion or a hovel, the home is the mirror in which are reflected the virtues and the faults, the tastes and the habits of its inmates. High ideals and depravity, aspirations and indifference, modesty and pretension, thrift and wastefulness, orderliness and slovenliness, all leave their imprint on the home and determine for good or for evil its character and its influence upon the immediate environment. Moreover the home may be considered a fairly accurate gauge of the economic condition of the family, whether enjoying abundance or suffering from deprivation, whether it has the advantage of wealth or is struggling against the odds of poverty. A sentiment of sanctity and inviolability has at all times been attached to the home, and this sentiment has been recognized and fostered by every religion and by the laws and customs of every land, no matter how low the state of civilization.

The instinct of self-preservation suggests to the animal the choice of an abode that will safeguard it and its young from the intrusion of lurking dangers. The bird builds its nest where it is least exposed to the elements, and it makes every provision for the safety of

its brood. Human beings, however, cannot in all cases exercise that freedom in the choice of a safe domicile. Paradoxical as it may seem, a higher civilization tends to lower in many essentials the standard and the condition of human habitation, for with the expansion of commerce and industry, and with the consequent growth of cities and towns, urban populations become more and more congested and housing more and more contracted, at the expense of the three fundamental requirements of sanitary dwellings and decent homes: space, air and light.

The problem of human habitation may be said to increase with the distance from the equator, as in the northerly latitudes climatic conditions demand not only more substantial and elaborate construction than in the warmer zones, but they also compel closer family contact and closer social association within doors, and as a consequence more room space and better housing facilities are required. Surrounding conditions greatly influence the character and type of habitation. For instance in California, where outdoor life the year round is characteristic of the people, the simple bungalow is popular even among the well-to-do. In the arid regions of the United States the houses have the form of a dry-goods box, the roofs being flat, for roof drainage is unnecessary.

Just as the domiciliary problem increases with the distance from the equator, so also it becomes more



complex and more difficult of solution with the density of population, with the extent and character of the industries, and above all else with a low economic condition of the people. The economic condition enters very deeply into this problem and to a large extent establishes the standard of dwellings of different classes of people. Wealth permits a very wide latitude in the choice of a dwelling; it can be made to conform not only to every requirement of sanitation and comfort, but, like that of the migratory bird, the abode may be changed from the extreme cold of the north to the warmth of the south, or *vice versa*, to suit the changes of the season or the whim of the individual. The evil of neglected and unfit housing begins to make itself manifest with the people who are constantly struggling not so much with poverty as against it, and as the scale of individual earnings declines and the line of extreme poverty is reached, the wretchedness and misery of the housing is laid bare before us.

The housing of the poor is determined by two factors; first, the amount of the meager wage that can be spared for rent; and, second, the opportunity of finding work in the immediate neighborhood with the least loss of time and money in going to and fro. Under the circumstances the laborer is compelled to accept such housing as may be available and he cannot exercise the necessary judgment or discretion, even in relation to the vital requirements of sanitation and

home comfort. Unless public authorities assert themselves in his behalf he is left helpless and must submit to conditions that are a menace not only to the physical and moral welfare of himself and his family but to the state as well.

The housing problem is not confined to the dense centers of population. It seriously affects also the smaller towns in the United States, where space, air, and light are not supposed to command a premium. The economic forces operate here with the same power as in large cities, but the factor which is largely responsible for the low housing standard in the smaller towns is the neglect and in most instances the complete absence of official supervision over planning, construction, and maintenance of homes. Smaller towns cannot as a rule maintain a well-organized scientific health or building department, and only in case of a serious local epidemic is any effort made to enforce even the simplest rules and regulations of sanitation. As a result workingmen's houses in many of the industrial towns are mere shacks, neglected and dilapidated, without even primitive home facilities, and lacking proper drainage and the necessary supply of pure water. The tenant becomes as unconcerned in respect to the condition of his home as is the landlord in regard to the condition of his property, and the evil is allowed to continue without official interference.

Fortunately a new spirit is making itself strongly

manifest, which must finally result in a widespread betterment of the housing of workingmen in industrial towns. This is not being secured by legislation or by an awakened civic interest nor by labor organization but by employers themselves, who have begun to recognize that a high standard of labor efficiency can be developed and maintained only through the permanence and stability of labor. Whenever labor displays a nomadic tendency, shifting discontentedly from one place to another and from one occupation to another, efficiency cannot be maintained, and eventually the growth and success of the affected industry will become seriously impaired. Some of our noted industrial concerns have recognized the wisdom and sound business policy of establishing a closer bond between employer and employees, and the welfare of the employees, particularly in sanitary and domiciliary respects, is receiving special study and attention. This does not, however, lessen the evil of the disgraceful dwelling conditions which are still tolerated in so many smaller towns; but it is safe to assume that the better spirit will become more widespread, particularly in view of the fact that the reform is not being stimulated by philanthropic efforts but largely by sound business policy.

As already emphasized, housing of the poor in the large congested cities, and particularly in New York City with its peculiar topographical situation, presents

a difficult and complicated problem, and its solution is still very remote, with slight hope that all the evils associated with it can ever be entirely removed. Unlike some of the smaller industrial cities where in certain cases the greater part of the population is employed by a single industrial concern, the workingmen in New York are distributed in numberless diversified industries, each industry split up into small units or establishments employing a comparatively small working force. Unlike his fellows in the smaller industrial cities and towns, where in many instances the industrial concern owns the houses of its employees, the New York employer cannot for obvious reasons concern himself directly with the living conditions of his employees and the evils rarely come under his personal observation. It must, therefore, be evident that the forces which favor the betterment of living conditions of the working class in smaller cities cannot be expected to operate in New York City, and any reform in this direction must come from recognized authorities and by a slow process of education. The workingman must of necessity make his home in the multiple tenement, whether his wages average three, four, or five dollars a day. His only choice is between what is known as the new-law tenement and the old type tenement erected before 1901, when the present New York building law was enacted. This choice is again restricted by the ever-present economic factor, for the

standard of the housing condition is largely, if not altogether, determined by the rental. This is the crucial point of the housing problem of the poor, for living conditions have to conform to earnings and not vice versa, and if improved dwelling conditions are based upon higher rentals, the straining point is reached where the purpose of betterment defeats itself. The state can legislate and regulate the housing condition of the people, it can enact and enforce laws for the safety, health, and even for the comfort and convenience of the home, but it cannot change unrelenting economic laws and compel capital to provide improved or approved housing without adequate return on the investment. That the wage earner in New York is still attached to the old tenement, devoid though it be of many fundamental requirements of a proper home, official records conclusively prove. According to the *Ninth Report of the Tenement House Department of the City of New York*, the Borough of Manhattan had, December 31, 1917, 40,822 tenement houses of all types, including high-priced apartment houses, with a total of 541,851 apartments. Of this number 35,288 tenements containing 389,303 apartments, were constructed before the enactment of the present Tenement House Laws, and are classified as old-law tenements. The minimum rental in the new-law tenement for an apartment of three rooms with bathroom and hot water supply is \$15 per month, the

rent increasing in the more desirable locations nearest to the lines of rapid transit. The minimum rental for a five-room apartment in the old-law tenement is \$14 per month without bath and hot water supply, or approximately 60 per cent. less than the same number of rooms in the new-law tenement. Since 1918 the scarcity of housing and the rapid advance in rental in New York have become marked, thus intensifying the problem of housing and increasing the importance of the old tenement as a factor.

It is therefore evident that if a poor man desires to avail himself of the advantages of the new-law tenement he must either sacrifice rooming space and crowd his family into fewer rooms or pay a greatly increased rental. The first choice must result in room crowding or congestion, and the second is a heavy tax upon his meager earnings, which in most cases he is unable to bear. As a natural consequence the old-law tenement continues to be the predominating dwelling place of the greater part of the population of New York City, and almost exclusively of the poorer class to whose means and needs it is evidently best adapted.

The flagrant evils of the old tenement have been transmitted to the present generation by the laxity and incompetence of the official authorities of former years, and though in recent years some of the evils have been corrected by the newly constituted Tenement House Commission, many more, as for instance

the totally inadequate airshafts, remain and will remain unless the buildings are remodeled and reconstructed, virtually bringing them within the classification and rental of the new-law tenement.

The old-law tenement as it now exists lacks not only primitive requirements for the maintenance of a decent standard of living, but it also discourages an economical and orderly management of the home. Facilities for storing and preserving food supplies are not provided. The wash tub in the kitchen serves, when the need becomes very urgent, as a bath tub. Nails and hooks attached to the wall under a rough shelf serve in most cases the purpose of a wardrobe. The walls are either papered or painted in a color scheme which does not tend to the cleanliness of the home. Soft wood floors retaining the moisture add to the hardship of the already overworked housekeeper. Even the furniture is ill adapted for the dwelling of the poor, being either crude and cumbersome or too pretentious for the surroundings. It is all the more remarkable that under almost insurmountable difficulties many of these homes show every evidence of cleanliness and order, of decency and respectability, but unfortunately a greater number of families who do not or cannot cultivate those virtues become apathetic and indifferent to their surroundings.

That the existing conditions in these tenements can in many important respects be improved without im-



posing a serious tax upon either landlord or tenant, will be shown by the following illustration, taking one or two adjoining old tenements for a practical demonstration. A shower bath can, in the absence of bathing facilities, be installed in the kitchen in a partitioned space about two feet square and can be connected with a central hot water supply plant placed in the cellar. Adequate shelf and closet space for keeping a limited quantity of food and fuel can be provided in the kitchen. The upper sash of the window frames can be glazed with prismatic glass, thus allowing more daylight to relieve the gloom of the inner rooms. Small and inexpensive wardrobes will do away with the unsanitary practice of exposing the clothes in the living room and in the bedroom. Floor can be laid in narrow hardwood strips, lessening the work of scrubbing and cleaning. Wall paper can be altogether eliminated, the walls being painted in a light color scheme, with a view not only of adding light and cheer but also of making it possible to have them washed. The yard fence between the two adjoining houses can be removed to provide a safe playground for the children of the two tenements.

It will be observed that structural alterations are avoided in this scheme and only certain features are recommended with a view to correcting some of the shortcomings of the old tenement houses. The question naturally arises whether the landlord can offer



such improvements without materially increasing the rental. Dwelling reform cannot become widespread and achieve its aim if it fails to take into consideration the interest of the landlord, and it is necessary to consider also this phase of the problem to arrive at an intelligent answer. The statement may safely be made that until very recently the possession of real estate proved to many of the owners a liability and not an asset, and this was particularly true of the low type tenement. Drastic but justifiable requirements of the Tenement House Department, higher rate of taxation, greatly increased cost of maintenance, higher rate of interest on mortgages — all contributed and still contribute toward creating this condition. But most of all the frequent shifting of tenants and the great cost of repairs and renovations, due in a measure to the carelessness if not to the destructive disposition of some of the occupants, constitute a serious drain upon the rental income, as they are the main causes of the deterioration and depreciation of property.

The poor tenant, and he must not be confounded with the slum dweller who represents a special type of the lowest class, is not at all indifferent to his dwelling conditions. On the contrary, he is always demanding improvements which he may have observed in the home of a better situated neighbor, where it be a new type of range or a porcelain sink. The roving disposition and the spirit of vandalism which he sometimes dis-

plays are mainly due to discontent with his surroundings. Under favorable dwelling condition he becomes firmly attached to his home, coöperates with the landlord to maintain the higher standard of the tenement, and even considers it a special privilege to dwell under its roof.

The complex problem which the intolerable housing conditions of the laborer in New York and other large cities presents, is not to be solved by the expedients recommended here, but they will help to alleviate it by removing at least some of the blemishes which characterize the domiciles of the greater part of the working population of New York City. The home determines and reflects the standard of living, and where it lacks every physical comfort and imposes hardship upon the dweller, it breeds resentment against social order and forms one of the most potent causes of labor discontent.

## INFLATION AND HIGH TAXES — THEIR EFFECT

ECONOMIC forces, like the laws of nature, operate relentlessly and despotically, heedless of human laws and ethical principles. They shape and control the fate of nations and individuals, creating and destroying, populating and depopulating, uplifting and submerging, establishing close kinship and producing inequalities and differences in the human family. They give to human action impelling and driving force, stimulating energy and ambition, inciting envy and jealousy, causing feuds and wars, but also establishing peace and stability. All social upheavals and convulsions spring from the pressure of the economic forces, or are strongly influenced by them. The present world unrest has purely an economic aspect and tendency, and is the result of a deranged and an unbalanced economic condition distinguished by vast wealth and extreme poverty. A new social order will eventually evolve from the unrest, and the closer it is adjusted to a state of economic and social balance by eliminating extreme contrasts of rich and poor, the greater will be its stability and the more enduring the peace of the human family.

The coming social order is still veiled in mystery, but a process of social transformation and social leveling, as well as of economic readjustment, is already unmistakably manifest, not only in the increasing power and control of labor over the productive forces, but also in the impaired power and control of capital over labor and over the political forces. By lessening the supply of labor and intensifying the demand for it, labor is enforcing a policy by which more laborers are maintained or more time is consumed for a given production than heretofore. By reducing the performance of labor and of productiveness, society is being forced to restrict and modify its wants, habits and indulgences, thus lowering as well as leveling the standard of living. The enormous depletion of the supply of labor, due to social progress, to labor regulations, and to labor's elevation has been statistically demonstrated in the previous chapters.<sup>1</sup> It is also generally recognized by those who come in close touch with the operation of labor that when the material improvement of the laborer, and particularly of the common laborer, reaches the point where his moderate wants can be supplied with lessened effort, his exertion and close application also weaken. The laborer merely displays in this respect the same characteristic as the average human being. All these factors contribute,

<sup>1</sup> Depletion and deterioration of labor, pp. 20-38. Economic effect of curtailed labor, pp. 53-63.

however, to reduce the productive powers of labor, and it is probably not an exaggerated estimate that in most industries the same number of laborers produce less than seventy per cent. of the pre-war quantity, owing to reduced hours of daily labor, lessened exertion, relaxed discipline, frequent absence, not to mention chronic labor strikes. The many expedients resorted to by the employer, as a high wage, bonuses, etc., have failed to stimulate, to any large extent, a higher productivity of labor. On the contrary, they have made labor more independent and more conscious of its power, and less inclined to exertion. The low labor productivity and not the high wage is primarily responsible for the inflated cost of living, for when production is adequate to meet the demand neither the wage nor the cost of living can materially rise. When a high wage is instrumental in promoting efficiency and increasing production it lowers the cost of the product in spite of the higher cost of labor.

It is contended that the present labor problem will find its natural solution when industrial and financial reaction puts a check upon expansion and inflation, and the laws of supply and demand react on labor and restore a normal economic balance. But this can produce only a temporary relapse, for unless the world's industries become permanently prostrated, or society reverts to forced labor or slavery, the power of labor will survive a temporary setback, and will again assert

itself with full force when normal conditions are restored.

The inflated cost of living operates against the rich as well as the poor, but more particularly and severely against those with a moderate salary or with a fixed income. Salary, unlike the wage, is not based upon cost of living, nor is it controlled by trade laws, but is determined by nature of the service, by rank of position, and by individual merit. Inasmuch as the salary does not closely follow the trend of the cost of living, the brain worker must adjust himself to a lower standard of living when economic inflation greatly reduces the purchasing power of his salary. This downward readjustment becomes all the more oppressive to the salaried brain worker because by environment, calling and training, he has to maintain a different standard of living than is essential to the laborer or mechanic. The latter is, by centuries of training, accustomed to a coarser and simpler life, and he is not, as a rule, concerned in the refinements of life. Society makes few demands upon him and he is not under the necessity of paying regard to outward appearances and to social conventions. However shabby his clothes or however objectionable his living quarters, it does not affect his wage. The average salaried brain worker, on the other hand, is by circumstances of his employment and by environment compelled to observe social conventions and obligations, and he cannot be indifferent regard-

ing matters which give at least an outward appearance of respectability. He cannot adapt the customs and ways of the laborer even in trivial matters without lowering his social status and endangering his economic interest. It would, for instance, violate the dignity of his position if, for the sake of economy, he were to bring a "dinner pail" to his place of work, as is characteristic of the manual laborer.

It does not necessarily follow from all this that measured by material requirements the standard of living of the wage earner is lower, but it differs from that of the brain worker in so far that the cultural and intellectual phases do not form an essential part of it. The same standard of living is not applicable to both, for what forms an essential requirement to the one is a non-essential to the other, excepting when it relates to material wants necessary for physical existence. Under the existing economic conditions the mental laborer with his rigid salary is forced down to a lower level of existence, whereas the physical laborer is being elevated to a higher level because the more pliable wage does fully meet the inflated cost of living.

The wage earner has also the advantage over the salaried worker that in many occupations his services beyond the prescribed hours command an enhanced price, and he has frequent opportunities of increasing his revenue, if he is so inclined. But even if we were to assume that the earning power of the wage earner

does not equal the salary of the average brain worker, he would nevertheless be in a better economic condition, because his essential wants involve a smaller expenditure. The economic betterment is even more marked in the common and unskilled laborer, who is emerging from a state of abject poverty to a higher level of existence. He has for ages occupied the lowest position in the social scale, intensifying the labor problem and spreading poverty. His extreme toil and hardship insured him only a bare existence even under normal conditions. Whatever evils may otherwise be attributed to the world war, it has raised the common laborer from degradation, and has given him the spirit and the power to demand social justice and economic recognition the world over.

It may be argued that the material advancement of the laborer is due to an abnormal economic condition and that he will resume his former relative position in the economic organization when the laws of supply and demand restore normality. It is a mistake, however, to attribute the elevation of labor purely to existing economic circumstances. Labor progress, so far as it relates to the shorter workday, improved working and living conditions, and abolition of child labor, was largely the result of public sentiment. Long before inflation became manifest the wage was persistently rising for a number of years as shown in Tables I and II. That a decided industrial reaction will temporarily af-



fect labor and wages may be taken for granted, but the conditions of the nineteenth century, when the laborer toiled almost unbelievable hours to earn the means for a bare existence, cannot be restored unless labor is reduced to a state of utter helplessness. No more than those conditions can be revived, can a labor policy survive which confounds equal opportunities with special privileges, and arbitrarily eliminates the economic benefits which should distinguish the competent from the incompetent, the industrious from the lazy, the thrifty from the wasteful. It violates the fundamental principles of society, if not the laws of nature, when it offers a decent existence to all alike, regardless of individual merit and effort.

It is true, nevertheless, that the industrial development and expansion of the nineteenth century received its impetus and aid from the state of servitude and degradation of labor, which offered an unlimited supply of labor at a low wage. The productiveness of labor was all the greater because extreme want imposed upon the laborer maximum effort which was restricted neither by law nor by labor regulations but by the endurance of the individual laborer. Without the vital factor of an almost inexhaustible supply of labor, the vast industrial strides would have been impossible, notwithstanding the marked mechanical inventions which distinguished that period. In the face of the exhausted labor reservoirs of the present

day, the conclusion seems justified that industrial expansion has reached its climax and further development is unlikely, excepting in countries particularly favored by a large supply of labor, unrestricted hours of labor, and a low wage, as is the case in China and in India.

Another factor which has a strong bearing upon future industrial development, and expansion, is capital. Industrial development demands, as already pointed out, an adequate and a responsive supply of labor, but above all else it is promoted by saving or earning, which is the basis of capital. The nineteenth century strongly favored and facilitated the accumulation of wealth and the operation of capital, and particularly in the United States, where income was immune from heavy tax burdens, and free from legislated restrictions. This liberal policy has in recent years been completely reversed by drastic laws which divert a large portion of the income of the rich from productive employment to the payment of taxes. Under the operation of the Federal income tax law an income of \$100,000 is reduced approximately after payment of taxes to \$65,000, and an income of \$500,000 is reduced to \$177,000, not taking into account state and municipal taxes to which the income is now also subject. It is not a preposterous statement that where the rich have formerly expended on family maintenance one-half of their income, they now have

to resort to retrenchment although their income remains the same, as otherwise they must face a deficit at the end of the year, owing to the graduated tax, and to the increased cost of living estimated at over 100 per cent. The effect of the graduated tax is clearly conveyed by the fact that a pre-war income of \$500,000 was equal to a present day income of \$2,100,000, or in other words, the Government's share in the latter is approximately \$1,600,000. Income becoming capital, does not remain dormant but is applied to produce additional income, and therefore the amount diverted to the payment of taxes becomes unproductive, unless the Government should apply the collected taxes to maintain and control productive employment. This would be consistent with the fundamental principles of socialism, but opposed to the fundamental principles of our democracy. High taxes, lowered productivity and deficient and depreciated capital are not incentives for industrial expansion, nor are they symptoms of a sound social order. Unless labor can be stimulated to greater efforts and is instrumental in producing increased wealth, violent economic reactions, accompanied by industrial recession and a generally lowered standard of living seem inevitable, and particularly in countries where economic progress has been most marked.





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